Daily Report

Latin America

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FBIS-LAT-96-012 *18 January 1996*

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Cuba

Commentator Echoes U.S. Congressman on TV Marti Funding

PA1701164296 Havana Radio Havana Cuba in Spanish 0000 GMT 14 Jan 96

[Commentary by Roberto Morejon; from the "Evening Information Review" newscast]

[FBIS Translated Text] U.S. politics is riddled with paradoxes: The United States wastes money on absurd projects, such as the one where television signals are beamed to Cuba despite the Cuban Government's condemnation of this act as a violation of its radiotelegraphic airspace. Can the U.S. Government afford the luxury of throwing away about $100 million annually, especially when Democrats and Republicans are arguing over the 1996 budget for the world's largest economic power? While the Republican majority in both houses of Congress is proposing substantial cuts to federal social programs, it plots with the most reactionary of Cuban emigrants on continued funding for so-called TV Marti. This network functions despite the Cuban Government's and people's objections, with programming meant to subvert Cuban society ideologically. We have the expertise of Cuban technicians to thank for preventing this from happening.

Representative David Skaggs — a Democrat — recently pointed out that funding so-called TV Marti — which Cuban technicians are jamming — is an enormous burden to U.S. taxpayers, with a price tag of $98 million annually. Skaggs, who has described TV Marti's work as basically corrupt, last year asked the House of Representatives to reject funding for the anti-Cuban television station. His request was rejected due to pressure from the Republican majority and the lobbying efforts of extremist Cuban emigrants.

It is no surprise that the extreme right wing is furious over Skaggs' recent remarks to NBC. Extreme right wing Cuban emigrants and their leader — Jorge Mas Canosa — control the television and radio signals that carry subversive messages to Cuba.

U.S. officials are ignoring the protests and warnings of various organizations regarding so-called TV Marti. The International Board of Frequency Registration has issued a resolution protesting violations of Cuban radiotelegraphic airspace. Other international forums have taken similar action.

It is devastating to think that the U.S. Republican majority would rather help the anti-Cuban television monster rather than the poor and elderly living in the United States.

U.S. Congressman, Delegation Arrive 16 Jan

PA1701192896 Havana PRENSA LATINA in Spanish 0140 GMT 17 Jan 96

[FBIS Translated Text] Havana, 16 Jan (PL) — A delegation of more than 20 U.S. citizens, including businessmen, religious figures, and others, arrived in Cuba on a private visit on 16 January.

A source here told PRENSA LATINA that Democratic Congressman Joe Moakley heads the delegation, which will remain in Havana until 19 January.

U.S. sources report that the delegation hopes to learn about the situation in Cuba and to discuss matters of common interest with authorities. The visitors' schedule, to which PRENSA LATINA has access, includes meetings with senior officials of the Chamber of Commerce and the National Bank of Cuba.

The visitors are scheduled to meet leading officials of the Tourism and Foreign Trade Ministries on 17 January.

Roundup on Mexican Party Delegation's Visit

PA1701200196

[FBIS Editorial Report] Following is a roundup of reports on the activities of Porfirio Munoz Ledo, president of Mexico's Party of the Democratic Revolution (PRD), and the delegation accompanying him on a visit to Cuba.

Praises Conference, Solidarity Organization — Havana Radio Havana Cuba in Spanish at 0000 GMT on 14 January, during the regularly scheduled "Evening Information Review" newscast, carries a recorded interview with Munoz by correspondent Beatriz Padron. Date and place of interview are not given. Following is the FBIS translated text of the interview:

(Padron) International Solidarity With the Third World/ Challenges of the Third Millennium is the theme of the conference that has attracted more than 100 political figures from around the world to Havana within the framework of the 30th anniversary of the Afro-Asian-Latin American People's Solidarity Organization (OSPAAAL). Porfirio Munoz Ledo, president of Mexico's Party of the Democratic Revolution, is one of those figures:

(Munoz) I came to Cuba in response to a past invitation that I was unable to honor in this year of government. I take advantage of the fact that OSPAAAL invited me to participate in this meeting, to meet with former fighters for the unity of developing countries against colonialism, and to hold high-level meetings over the next two days. Several Mexican legislators and friends of the Cuban Revolution accompany me.

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(Padron) What message would you like your political organization to pass on at this important meeting?

(Munoz) This organization's ideals remain relevant. The heart of the matter is how to adapt the ideals to our times. What does it mean to fight for world democracy? What is the meaning of the fight against new types of colonialism, the colonialism of postmodern times? What are the paths to follow? They cannot be the those of the 1960s. Nations are heading toward democratic transition; however, either there are no opportunities, there are no opportunities at the national states, or there are very few opportunities to promote these changes. The scattered social fight has also failed to yield the results we want. It is a major undertaking to reformulate ideas. How do we effectively work today for a new international order (words indistinct) the times? How will we approach the third millennium? That is the question. Neo-liberalism continues to run rampant in the world. We spoke of the letter (?Friar Beto) wrote regarding a social apocalypse. That constitutes a major (?threat). It is quite difficult, given the gaps that have emerged between less developed countries and the masses living in abject poverty and the offensive concentration of wealth. There is no equality. There has been a kind of historical backwardness in the last 15 years, referred to as the revolution of the rich. The problem is quite serious. Can we approach the third millennium in peace? What do we have to do to make it viable? We are readdressing the problem and trying to resolve it.

(Padron) Do you have any message for the Cuban people?

(Munoz) A message of deep friendship; affection; recognition of the efforts they have made, particularly given the difficulties of the crisis of the last few years; and hope that they have seen the worst, that the economic recovery will become a reality, and that many of us will soon be able to, with the effective solidarity of everyone, find the path for a peaceful coexistence among Cuba and all its neighbors, for the end of the blockade, and for taking a step toward a higher political and social development phase.

Meets President Castro, Grants GRANMA Interview — Havana PRENSA LATINA in Spanish at 1622 GMT on 16 January carries a Havana-datelined report on the delegation's activities. Following is the FBIS translated text of the report:

Havana, 16 Jan (PL) — An official source told PRENSA LATINA today that President Fidel Castro has received Porfirio Munoz Ledo and a delegation from Mexico's PRD in this capital.

A Cuban Communist Party (PCC) spokesman reported that the meeting began at around midnight last night and ended at 0300 this morning, during which time they talked about bilateral relations in different areas.

Meanwhile, a spokesman for the PRD delegation told PRENSA LATINA that Munoz reiterated before the Cuban president the proposal to support the signing of a free trade agreement between Havana and Mexico, in order to provide a legal framework for the broad ties in this and other areas of cooperation.

The meeting between Fidel Castro and Mexico's PRD leaders was attended by Vice President Carlos Lage, who is also secretary of the Council of Ministers executive committee, and Jose A. Arbesu, head of the Americas Department of the PCC Central Committee — the body that invited the visitors.

Today's GRANMA carries an interview with Munoz in which he expresses his opposition to the Helms-Burton Bill (sponsored in the U.S. Congress by sectors determined to tighten the economic blockade against that nation) and every form of intervention in the internal affairs of other countries.

Munoz Ledo said: We advocate a change of policy in the United States; we advocate that the issue of Cuba not be used for electoral and demagogic purposes as is occuring now. Instead, it must be viewed from the rational perspective of the countries' mutual interests, he continued.

The PRD delegation today continued its activities in Cuba, after postponing its return to Mexico until 17 January.

More on Castro Meeting, Salinas — Mexico City Radio Red Network in Spanish at 0000 GMT on 17 January, during the regularly scheduled "Night Monitor" newscast, carries a report by Havana correspondent Roberto Cespedes on the delegation's visit. Following is the FBIS translated text of the report. Munoz's remarks are recorded:

(Cespedes) President Fidel Castro met with PRD President Porfirio Munoz Ledo at the Palace of the Revolution, in Havana, for almost five hours on the evening of 15 January. Castro told Munoz that although former Mexican President Carlos Salinas de Gortari does not hold permanent residence in Cuba and is not a businees advocate for the Cuban Government, he exercises his right to free movement by coming and going to and from the island. Munoz spoke with the press about the meeting with Castro a few minutes ago in this capital. He reported that Castro said the following:

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(Munoz) Salinas is not a permanent resident and has not opened a business here. He is not a Cuban business promoter and is not the mediator of any commercial group. He is simply traveling to and from Cuba freely.

(Cespedes) The PRD leader said that Castro told him that the Cuban Government has not ordered special protection for Salinas and that he was welcomed in Cuba as a way to respect the former Mexican president's human rights. During the meeting, which Vice President Carlos Lage and several PRD deputies who accompanied Munoz on his five-day tour of this country attended, the PRD leader told the Cuban leader of the Mexican people's concern over any protection that Cuba may be offering Salinas. Munoz blamed Ernesto Zedillo's government for allowing the former president to go free. Munoz pointed out that the Salinas case will inevitably be one of the issues to be addressed by the first interparliamentary meeting Mexico and Cuba have slated for March in this city. The issue will be fully explained at this meeting. Another issue discussed at the 15 January meeting was the PRD's interest in having Cuba sign a free trade agreement with Mexico or, at least, in allowing Cuba to join the San Jose Pact. Concluding, the president of the third Mexican political force regretted Juan Garcia Abrego's deportation to the United States, which is a step he described as deeply harmful to Mexico's sovereignty. As for the exchange of correspondence and even insults between Munoz and Diego Fernandez de Cevallo, I could tell you that to the question if the PRD would allow Fernandez's presence in its quarters, Munoz underscored that he was not going to waste his time with a fourth-class bearded man as he came to visit a first-class bearded man.

Talks With Lage 'Fruitful' — Havana PRENSA LATINA in Spanish at 1404 GMT on 16 January carries an Havana-datelined report on the delegation's visit. Following is the FBIS translated text of the report:

Havana, 16 Jan (PL) — Vice President Carlos Lage has met with a PRD delegation here on the legal framework for deepening commercial relations between Mexico and Cuba.

Lage and the PRD mission visiting the island — headed by PRD President Porfirio Munoz Ledo — broached the subject on 15 January. Munoz told PRENSA LATINA that talks with his Cuban interlocutor, which lasted more than one hour, had been "fruitful, very intelligent, and interesting."

Munoz said that he confirmed for the Cuban vice president that there is interest in a bilateral cooperation agreement. The PRD politician noted this interest again at several of his meetings with Cuban authorities and in his public appearances during his five-day visit to Havana.

The former senator believes that "the people and government of my country have upheld a policy of solidarity with Cuba at key moments" but that "cooperation is currently small, very scarce, and weak."

He said that the talks covered finances, energy, technical assistance, social development, and "all the possible issues in the framework of economic cooperation."

He added: The talks also covered the organization of the Cuban Government, its priorities, and the reforms that have been undertaken to overcome the severe economic crisis that arose after the disappearance of the Socialist bloc in Europe and the disintegration of the USSR.

They also exchanged information on projects to further Mexican Government reform and ease the financial crisis the neighboring country has faced since December 1994.

Munoz and his entourage, who visited the Caribbean island at the invitation of the Cuban Communist Party, are scheduled to leave on 16 January. They also participated in the Third World Solidarity Conference, held in this capital city for three days. More than 180 representatives from Africa, Asia, Europe, and the Americas participated in the conference.

Chilean Firm Offers To Donate Business Consulting Work

PA1801033696 Havana Radio Havana Cuba in Spanish 0000 GMT 12 Jan 96

[Report by Marianela Samper; from the "Evening Information Review" newscast]

[FBIS Translated Text] The Proyecto Desarrollo Consulting Firm of Chile has signed an agreement with the National Association of Private Farmers of Cuba [Asociacion Nacional de Agricultores Privados de Cuba — ANAP] and the National Association of Artist-Artisans [Asociacion Nacional de Artesanos Artistas] to give advisory and support work to the island's small and medium—sized businesses. Luis Fuentes, representative of the Chilean firm, gave us details:

[Begin Fuentes recording] We want to transfer our Chilean experience. For the past 10 years we have worked in this area with public and private policies. We deal with direct advisory work to establish new businesses and to establish commercial relations among small and medium-sized businesses. We are aware of what is being done in Cuba and of the changes that are taking place with regard to foreign investment and with regard to the possibility that Cubans could get

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involved in commercial activities. We want to contribute our experiences to the new initiatives for Cuba. [end recording]

Fuentes noted that financing for this will come from the International Cooperation Agency of the European Union and will involve programs lasting two or three years. When asked why they chose private farmers and artist-artisans, the specialist explained:

[Begin Fuentes recording] We have to work with an established organization. For outsiders, what is happening with regard to private initiative is somewhat of a mystery. ANAP has great international prestige, and the [word indistinct] is somewhat newer. Possibilities range from helping them to export their products, to establishing better businesses by themselves, and getting organized.

There is an aspect that has yet to defined: We want to add a second phase to our program involving the management of rotating funds. This consists of small credits that we could obtain from international cooperation [word indistinct]. These loans could be granted to the persons that we will be advising [words indistinct] are maintained here. We signed agreements with ANAP and [word indistinct] to ensure that what is [word indistinct] remains here. [end recording]

The Proyecto Desarrollo Chilean consulting firm also plans to give advice to Chilean businessmen coming to Cuba to invest capital. Preparing information dossiers to reveal the Cuban reality and following up on business delegations are the goals of this other aspect of its work:

[Begin recording] [Fuentes] In Chile there is great interest among businessmen at all levels. A delegation [words indistinct] representing businessmen of very a developed level, but in Chile there is also an association of small and medium-sized businessmen who have publicly announced their interest of investing in Cuba. Thus, this involves medium- and long-range work in Santiago to ensure that more Chileans come to support what is being done here. This is a great personal interest of mine.

[Samper] Why did you say that there is a personal interest?

[Fuentes] Because I love these people very much. I have always supported developments here. In this regard, I can say with great frankness to Cubans: Continue to be an alternative, a hope for many people like myself, that even though we are involved in business and the like, we still believe in [words indistict] the best, especially in a more developed socialism. Unfortunately, Chile is very far away from this. [chuckles]

Thus, what we are doing reflects our solidarity and love for the Cubans, not only business. I am at least speaking for myself. I am not here just to see what can be done in Cuba, but also to help.

[Fuentes] Thank you for all this information for the Cuban international radio station, and we wish you success in both plans. [end recording]

Robaina Returns From Arzu Inauguration in Guatemala

PA1701231996 Havana PRENSA LATINA in Spanish 2154 GMT 16 Jan 96

[FBIS Translated Text] Havana, 16 Jan (PL) — Foreign Minister Roberto Robaina returned to Havana today from Guatemala after attending the inauguration of that country's new President Alvaro Arzu.

During his three-day stay in that Central American nation, the foreign minister met with the president-elect, who noted that the invitation sent to the Cuban Government to attend the inauguration constitutes a step toward normalizing bilateral relations.

Robaina, who headed the first official delegation of the island nation to Guatemala in almost four decades, also met with outgoing President Ramiro De Leon Carpio and Foreign Minister Eduardo Stein.

He also talked with Mexican President Ernesto Zedillo, Costa Rican President Jose Maria Figueres, Nicaraguan President Violeta Barrios de Chamorro, Honduran President Carlos Roberto Reina, among other prominent figures in the region.

The Guatemalan press followed Robaina's visit with interest and reported on the welcome given to the Cuban delegation, which held many fruitful contacts with other delegations from the area.

Castro Sends Greetings to OSPAAAL Meeting

PA1801021896 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 15 Jan 96

[From the "NTV" newscast]

[FBIS Translated Text] The international meeting of solidarity with the Third World entitled Challenges in the Face of the Third Millennium has concluded. This event was sponsored by the Afro-Asian-Latin American People's Solidarity Organization, OSPAAAL.

The international meeting concluded with a message from Commander in Chief Fidel Castro, which was read by Politburo member Jose Ramon Balaguer. Consequently, 182 delegates and guests from 41 countries

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heard the reflections of the maximum leader of the revolution, who expressed the immense honor of this country for having organized 30 years ago the Tricontinental Conference of the African, Asian, and Latin American Peoples. This event represented a landmark in the history of Third World liberation struggles.

The commander in chief's message stresses that after three decades and amid the new circumstances imposed on humankind, the essential idea is confirmed that only united in the spirit of brotherhood and cooperation among countries will we be able to defend the right to have a world of peace, justice, and equality. This also confirms the fact that the setbacks sustained in recent years by the international revolutionary movement cannot be a cause for disappointment.

[Begin Balaguer recording] It has been said the Cold War is over, but the peoples comprising the absolute majority of the world's population continue to suffer the impact of the arms race, nuclear and military predominance, meddling, and the policies of force. These policies today characterize the so—called new world order and the intentions of exerting unipolar control over a planet that seems to grow more ungovernable. [end recording]

The Castro message also greeted OSPAAAL on its 30th anniversary and recognized its capacity to act and exert influence.

[Begin Balaguer recording] Those of us who supported the just idea of solidarity and unity among the peoples will never be weak, regardless of the power and resources our adversaries may have. I congratulate you wholeheartedly on your 30th anniversary and wish you success in your work and the event you are beginning today. I hereby wish to greet participants, including some of the founders of the tricontinental organization. Fraternally Yours, Fidel Castro Ruz. [applause] [end recording]

Ross Leal Speaks at 17th CTC Congress

PA1701220196 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 16 Jan 96

[Report by Maria Nunez from the Isle of Youth; from the "NTV" newscast]

[FBIS Translated Text] The 17th Congress of the CTC [Cuban Workers Federation] Congress started on 15 January with a debate on its theories [tesis] at the La Corona Tobacco Company in Havana:

[Nunez] (?Until March) all the country's working groups will discuss the theories. La Corona, which is at the vanguard of the tobacco sector at the national level, reaffirmed on this day its determination to produce nearly 8.5 million units this year, that is, 120,000 more than in 1995:

[Begin unidentified speaker recording] We are making changes, serious changes. There is, however, a huge difference between the changes we have made and those that have been made in the world today. We must continue to do what we are doing but better. [end recording]

[Nunez] In the style of the tobacco workers, they participated in the debates from their workplaces, and they all agreed on why they defend their factories, their country, and the revolution:

[Begin unidentified speaker recording] That is why our strategy leads to socialism and to the preservation of the workers' property and welfare above all. [end recording]

[Nunez] They discussed the theories in study groups and the [words indistinct]. They studied them chapter by chapter, and after making certain modifications, they finally approved them. Now that they are in congress, the Cuban labor movement is starting to design its struggle strategy for upcoming years. The Miguel Fernandez Roy Factory, which was formerly known as La Corona, has opened up this path.

The main debates revolved around the labor movement's contributions to the agricultural food program, the labor reorganization process, and the operation of unions at each work center. This ninth conference on the Isle of Youth was permeated by the previous analyses made at the grassroots level. In other words, before reaching this point, the various commissions listened to the opinions and concerns of more than 12,000 affiliates. Thus, there was total agreement between the positions of the workers and those of the ninth conference.

As for the expectations of this process throughout the country, CTC Secretary General Pedro Ross Leal made a call on all its members:

[Begin Ross recording] We urge Cuban workers and the workers on this marvelous island called the Isle of Youth to participate in in-depth discussions, to ponder their ideas, to voice their opinions freely and democratically, because this is the best way to help ensure that we will have a 17th Congress that is up to the times that our country is living through and up to the people who have been capable of resisting and of starting to move forward after a test as difficult as has been the special period. [end recording]

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Lage Reiterates Importance of Developing Wartime Economy

PA1701232096 Havana Tele Rebelde Network in Spanish 0100 GMT 14 Jan 96

[From the "NTV" newscast]

[FBIS Translated Text] Carlos Lage, Council of Ministers executive secretary, addressed state and government officials and high-ranking Revolutionary Armed Forces [FAR] and Interior Ministry officers at the conclusion of the Granma 1-95-II training exercises. He recalled that Army General Raul Castro, second secretary of the Cuban Communist Party, has repeatedly stressed how important it is to the campaign known as the War of All the People to maintain a wartime economy in peacetime. The joint Granma 1-95—II exercises, which lasted two days, were held in this spirit and in an effort to guarantee that the resources needed to stage the War of All the People are at hand in peacetime. The results of efforts thus far to meet defense needs, deficits, and resources and to integrate economically were reviewed. Plans for wartime — even under the special period's conditions — have been drafted over more solid and secure bases.

The main working groups set up for this training exercise — under the leadership of the Council of Ministers vice president and Economy and Planning Minister Jose Luis Rodriguez — studied the economic preparedness of the provinces and the nation and the paperwork which complements the Defense Law. The presidents of the provincial assemblies of the people's government and the heads of the Armed Forces general staffs discussed the social and economic situation of their regions and efforts being made to secure resources in case of war. The discussions, together with the information provided by the different ministries, indicated the direction these efforts should take.

For example, the food committee — headed by Agriculture Minister Alfredo Jordan — studied ways to increase food reserves and maintain food production during wartime. Another group studied medical resources; hospital quality; and stockpiles of medicines, including herbal medicines. The groups also studied:

— plans to conserve and preserve national heritage and the environment;

— the performance of schools;

— the use of scientific resources for defense;

— industrial production;

— ways to maintain transportation and communication;

— and radio and television's mission in conveying the right messages.

Many of the speakers reaffirmed that the main support base for war must be guaranteed at the municipal level, since every community is the best judge of its requirements and the best ways to ensure that those requirements are met. Dependence on central entities is reduced significantly in this way.

Our country has had many years to prepare for an enemy attack, offering Cuba the chance to fine-tune its defense system.

The training exercise proved that economic entities play a key role in ensuring that the material reserves needed to sustain prolonged resistance during wartime are on hand.

Lage said:

[Begin Lage recording] The need to develop a wartime economy in peacetime was also stressed as a means of formulating solutions. This was noted during the discussion of territorial self-sufficiency, one thing that I stress must gradually become a higher priority. [end recording]

Lage later discussed the increase in stockpiles:

[Begin Lage recording] The importance of mobilizing reserves was stressed as a way of guaranteeing the fulfillment of wartime plans. Likewise, the need to create planning reserves to solve economic problems was also stressed. The direct participation of the heads of organizations and presidents of Administration Councils and FAR leaders is a decisive factor. The importance of having had them participate — above all, considering the proposals passed to the different levels of leadership — cannot be overestimated. [end recording]

Spokesperson Details Plans for New Hotels, Foreign Support

PA1701232496

[FBIS Editorial Report] Havana Radio Havana Cuba in Spanish at 0000 GMT on 13 January, during the regularly scheduled "Evening Information Review" newscast, carries a report by correspondent Isis Maria Allen on the Gaviata hotel group's plans to help develop the Cuban tourism industry. The report includes recorded remarks by an unidentified Gaviata spokesperson.

The spokesperson notes that Gaviata contributes 44 cents of every dollar in revenues to the state's reserves.

Allen reports that Gaviota, which currently maintains more than 1,700 hotel rooms, plans to increase the number of rooms in 1996.

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The spokesperson reports that Gaviota plans to open a 250-room hotel in Varadero during the first semester of 1996 and a 319-room hotel during the second semester. She adds that Gaviota expects the number of visitors to the group's hotels to rise more than 20 percent during the year. The spokesperson points out that there is "strong investor interest" in constructing a five-star hotel in Monte Barreto. She confirms that there are plans to build a 1,200- room hotel at La Cabana and hotels on Mangon and Mangoncito Lakes and that Gaviota is "negotiating a joint venture" for a hotel to be built on Varadero point. The spokesperson also mentions plans to refurbish the Varadero marina and "possible negotiation of a joint venture" for constructing a hotel in Estero Ciego.

Allen reports: "Gaviota plans to maintain and develop ties with foreign organizations."

The spokesperson then adds: "The Sol Group manages the Playa Esmeralda hotels in Holguin Province — that is, Luz de Luna and Rio de Mares. We plan to step up and strengthen relations with this group. We are also in the final stages of talks with Club Med. This is one of the world's most important hotel administrators, with an administrative style all its own. We are negotiating administration of the planned Varadero 1920 hotel with them. We have yet to conclude the talks; nothing is definite yet; considerable progress has been made in the talks. We are also negotiating with Spain's Occidental Hotels chain the possibility of administering some Gaviota hotels. From the joint ventures viewpoint, we have achieved some progress in the talks with some Canadian investors — we do not say who they are due to the anticipated pressures — but they are solid people, solid Canadian businessmen. Progress has also been made in negotiations with a German businessman for a hotel near Santa Lucia and with businessmen from Monaco for a hotel complex close to the capital, near La Cabana. We are talking with them."

Plans for Matanzas Viaduct, Bridge Outlined

PA1801024696 Havana Radio Rebelde Network in Spanish 1255 GMT 17 Jan 96

[From the "Doing Radio" program]

[FBIS Translated Text] The second phase of the plan for a viaduct around Matanzas Bay will be completed this year, given the increasing traffic to Varadero. The plan includes a bridge over the San Juan River, and it will follow the curve of the bay.

It was also learned that this single bridge over the river will involve no land causeway or landfill whatsoever. The sea will only be touched by support foundations.

Poll Reveals Incentives for Self-Employed Workers

PA1801024596 Havana PRENSA LATINA in Spanish 2249 GMT 14 Jan 96

[FBIS Translated Text] Havana, 14 Jan (PL) — Poll results made known here today show that some of the main incentives that the more than 200,000 self—employed workers registered in Cuba nowadays find are: Higher revenues and independence.

The research carried out by the Demographic Studies Center of the University of Havana in several Cuban municipalities reveals that self-employed persons who live in sectors neglected by the state as a result of the economic crisis of the past five years are satisfied with the revenues they earn as a result of their new activities.

According to the Cuban television media, the activities the so-called self—employed persons find the most attractive include shoemaking, the retail sale of food and nonalcoholic beverages, car rentals, coachmen [cocheros] activities, and state supply market messengers (also known as messengers).

The report indicates that the average income of these persons is higher than what they had been receiving from their state salaries, regardless of what their occupation category was.

Television reports have indicated that the personal income of people selling light food and nonalcoholic beverages goes from 100 to 400 pesos daily and some shoemakers say they make 95 pesos a day, although others say they do not make that much.

The source said the state plans to impose taxes to bring more equilibrium to the earnings of private workers, to increase their contribution to the island's internal finances, and to protect society's most vulnerable sectors.

The Havana City Government, where 30 percent of the country's self-employed workers live, has announced that in February taxes will increase from 20 to 100 percent, according to the type of business activity and the annual income-tax statement.

Inspectors have admitted that there is still not any discipline in the payment of taxes, and there are violations of the law in the securing of raw materials, something that according to government officials results from a shortage of wholesale supplies and deficient controls by the corresponding authorities.

Now, the report states, there is much competition among the self-employed workers and, the report adds, the quality of products, the establishments' hygienic conditions, and courteous treatment will have the last word.

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Roundup of Economic Developments Through 16 Jan

PA1701160296

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 16 January.

Cuban Ambassador to Mexico Abelardo Curbelo has forecast that trade between Cuba and Mexico will increase approximately 10 percent during 1996. Curbelo added that trade last year reached $300 million. (Havana Radio Havana Cuba in Spanish 1300 GMT 11 Jan 96)

The speed and efficiency of farmers and the good weather are helping to revive Pinar del Rio Province tobacco plantations after the heavy rains of 1995. Although 238 caballerias were lost during the rains, the remaining 1,500 caballerias are in excellent condition. Area authorities report that new areas are being planted so that there will be over 2,000 caballerias by the end of January. (Havana Radio Rebelde Network in Spanish 1800 GMT 13 Jan 96)

The year 1995 proved Cienfuegos Province's second-best agriculturally speaking, as it produced over 1.6 billion quintals of tubers, garden vegetables, and corn. Agricultural production grew nearly five percent compared to 1994. (Havana Radio Rebelde Network in Spanish 1255 GMT 11 Jan 96)

Dominica

Opposition to Saudi Dissident's Deportation Grows

MM0801105296 London THE GUARDIAN in English 8 Jan 96 p 4

[Report by Seumas Milne: "Dominica Opposition to Mas'ari Move Grows"]

[FBIS Transcribed Text] Mohammed al-Mas'ari, the Saudi dissident threatened with deportation to Dominica, is due to meet the leader of one of the Caribbean island's main opposition parties in London today, as discontent about his arrival continued in the capital of Roseau.

Rosie Douglas, leader of the leftist Dominica Labour Party, is visiting Britain by chance and is expected to join the campaign against Mr. Mas'ari's expulsion from Britain.

Opposition to the move in Dominica has already been voiced by the former prime minister, Eugenia Charles who threatened to organise a blockade of the airport if the expulsion went ahead.

Dame Eugenia, who invited United States troops to invade Grenada in 1983, said Dominicans should prevent Mr. Mas'ari from disembarking at the island's tiny airport. Dominica, which had "enough problems without importing problems", would be unable to protect the Saudi exile, she said.

Dominica's acceptance of Mr. Mas'ari has also been denounced by the island's main opposition leader Brian Alleyne, of the right-wing Dominica Freedom Party, who said it threatened Dominica's own attempts to "develop relations with countries like Saudi Arabia".

He also demanded to know what financial gain had been secured from Britain. Together Mr. Alleyne and Mr. Douglas have enough votes in Dominica's parliament to vote down the minority administration headed by Edison James, the prime minister.

Mr James said that Britain had given him assurances that Mr. Mas'ari had "not been involved in any criminal or terrorist activities, either in Saudi Arabia or in Britain".

The Foreign Office continued to insist there had been no "quid pro quo" increase in aid to Dominica, but the Overseas Development Administration said that British aid to Dominica was now "on track" to increase to 2 million pounds from 500,000 pounds last year as a result of the clearance of debt arrears.

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Groups Condemn 'Military Response' at Border

PA1701214996 Mexico City LA JORNADA in Spanish 16 Jan 96 pp 56, 81

[Report by Jorge A. Cornejo, Antonio Heras, Alejandro Romero, Patricia Giovine, and Ruben Villapando]

[FBIS Translated Text] Human rights organizations and information and migrant support groups on the border yesterday questioned strongly "the seriousness and efficiency" of the Secretariat of Foreign Relations (SRE) in protecting migrant workers. Therefore, they asked the Mexican Government to "offer a decent and patriotic response in the defense of the rights of the Mexican population living without documents in the United States."

In addition, border residents and PAN [National Action Party] governments in Chihuahua and Baja California challenged the "military response" from the United States to the problem of migrant workers. Beginning today, with the support of military personnel and equipment, the U.S. Government will reinforce surveillance at its border to stem the flow of undocumented aliens.

The Centers for Border Studies, the Promotion of Human Rights, Support to Migrant Worker, and Information and Migrant Studies — based in Baja California, Chihuahua, Coahuila, Tamaulipas, and Zacatecas — have sent a letter to President Ernesto Zedillo describing the report of abuses against Mexican citizens.

The organizations explained that when these reports of illegal abuses are presented to the Mexican consulates, they are generally documented only for statistical purposes. In some cases, the victims are sent to private law firms, but consulates do not provide follow-up on the processes.

They added: "It is regrettable that Mexican officials tasked with these affairs invest time and effort helping U.S. officials and academicians in preparing the text of the so-called Binational Study on Bilateral Migration, the first results of which will be known in June of 1997.

"This is a strictly academic study conducted at a cost of $250,000 annually, with the aggravating circumstance that some SRE officials collect extra income for coordinating and formulating the aforementioned study."

After reiterating that "at this time the seriousness and efficiency of the SRE is being questioned," they said that most of the efforts carried out to provide social and humanitarian assistance to those deported from the United States come from nongovernmental organizations.

The groups explained that with the combination of tougher immigration laws and border control, the U.S. Government is building a lynch mob atmosphere against our fellow citizens, at the risk of increasing abuses and violation of their human rights.

To alleviate this situation, these entities demanded that a larger number of consular protection officials be dispatched immediately to Mexican diplomatic missions in California and Arizona.

They also called for an investigation into the reasons for the dismantling in 1995 of the Border Affairs General Directorate and three deputy director's offices which operated at the northern border to investigate abuse cases.

According to the authors of the letter, this office was reduced to a single desk under the General Directorate of North America, and documentation was stored in the general archives of the SRE.

They Call For the Creation of Migrants Support Agency

Meanwhile, Victor Clark Alfaro, president of the Binational Human Rights Center [Centro Binacional de Derechos Humanos — CBDH], criticized the fact that in the city if Los Angeles, California, only six persons work at the Consular Protection Department of the Mexican Government mission in that city, while in Santa Ana — with a large Mexican population — only one employee works in consular protection.

Clark Alfaro insisted on the need to create a government organization that provides attention and support to migrants who fail to accomplish their objective of residing as undocumented aliens in the neighboring country. He added the desperation of these people represents a very strong point of tension in society and may generate a social outbreak from those who have very little and give it all up to cross into the United States.

Xenophobia Will Be Encouraged

Meanwhile, Antonio Garcia Sanchez, Baja California human rights attorney, warned that the new U.S. Government strategy of reinforcing border security will encourage xenophobic feelings against Latino migrants in California.

In an interview, Garcia Sanchez said the participation of Army and National Guard members as well as of police officers in support of the Border Patrol "will increase the risk" for illegal immigrants and will stir up racial hatred, which some groups exploit in California.

Garcia Sanchez said President Bill Clinton's administration has confused a social and political problem with a criminal matter.

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A Matter of Employment and Survival

Jose Luis Perez Canchola, director of the Center for Information and Migration Studies in Baja California, pointed out that migration is a matter of employment and economic survival and therefore, the Mexican Government should examine its wages and employment policies since these are indirectly encouraging migration.

Jose Zavala, director of the Northern Border Bar Association in Mexicali, said the Mexican Government is responsible for taking the initiative to establish bilateral agreements to protect migrants from danger, extortion, and the violation of their basic rights.

Zavala recommended forming a movement to boycott store chains in California and Arizona and thus express the nonconformance of the Mexican community with the militarization of the border.

Meanwhile, Baldomero Olivas Miranda, head of the Chihuahua State Commission for Human Rights, pointed out that the militarization of the border "is another violation of the illegal immigrants' human rights and affects both countries' good relations and coexistence."

Chihuahua State Government Secretary Eduardo Romero Ramos said "a military response is the least appropriate" way to face the migration phenomenon, adding that "we do not agree with granting any army the duties that pertain to civilian organizations — either in Mexico or in the United States."

New Checkpoints

In the framework of this new strategy against illegal immigration that begins this Tuesday, 300 additional agents from the Border Patrol and the U.S. Immigration and Naturalization Service will guard the border for 90 days between Mexico and Arizona and California States.

According to Rob Daniels, state spokesman in Tucson, the following highways will be guarded permanently: Interstate Highway 19 between Tucson and the border town of Nogales, Interstate Highway 82 between Nogales and Benson, Interstate Highway 83 from Naco to Elgin, and Interstate Highway 191 between Willcox and Douglas, Arizona.

The Border Patrol will also guard Interstate Highway 286 between Tucson and Sasabe, Arizona, and Interstate Highway 85 from the Lukeville border to the Federal Expressway Number Eight.

According to Daniels, 90 percent of illegal immigrants who enter Arizona State come through these highways.

Demonstration in El Paso

Some 250 residents of Puerto de Anapra neighborhood demonstrated yesterday at the border with Sunland Park, New Mexico, against the wall that the Border Patrol is currently building and against the statements made by some Border Patrol officials that "make them look like criminals."

During this protest, the demonstrators went some 500 meters into U.S. territory where they shouted slogans like: "The wall offends us; we are not criminals" and "Build bridges to unite us, not walls to divide us." The demonstrators claimed that they will suffer a water shortage if they are not allowed to have access, because they receive water from a farmer in the United States.

To halt illegal immigration, the Border Patrol began last Tuesday to build a wall on the border between Sunland Park and Ciudad Juarez — by the Anapra neighborhood. This wall will be 1.3-mile long and 10-feet high.

Reportage on Arrest of Juan Garcia Abrego Legislators Meet With Zedillo

PA1801035596 Mexico City Radio Red Network in Spanish 0000 GMT 18 Jan 96

[From "The Night Monitor" newscast]

[FBIS Translated Excerpt] [Announcer Martin Espinosa] We have reactions to what the daily REFORMA published early on 17 January regarding the fact that, on the evening of 16 January, at approximately 2100-2200 hours, President Ernesto Zedillo met with certain legislators — deputies from all political parties represented in Congress — to discuss, among other issues, the capture of Juan Garcia Abrego. The REFORMA report states that President Zedillo admitted that Garcia was taken to the United States for national security reasons. Rafael Aceves has the story. Good afternoon, Rafael.

[Aceves] In an avalanche of explanations and statements, deputies and coordinators of the various parliamentarian blocs of the lower chamber denied that Zedillo explained to them the reasons why drug trafficker Garcia was extradited. For instance, PRI [Institutional Revolutionary Party] majority leader Humberto Roque Villanueva said that, during the meeting they held on the evening of 16 January with the chief of the executive branch, they never broached the issue of Garcia's expulsion. He even pointed out that they basically talked about state reform, relations between the executive and legislative branches, and certain economic matters.

In this regard, PRD [Party of the Democratic Revolution] coordinator Jesus Ortega agreed that it was a courteous protocol meeting held to talk about such domestic

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issues as state reform; however, they never talked about the drug trafficker in particular, as stated in a report REFORMA published.

On another subject, in the meeting held on 17 January, they [not further identified] tried to justify what cannot be justified, as the PRD legislators maintained time and again. They demanded the presence of the foreign relations and government secretaries and the attorney general to discuss the case of Garcia. The PRI rejected the proposal made by the leftist opposition that these officials explain the details of the political and legal decisions that determined the drug trafficker's quick extradition to the United States.

As expected, Martin, the manner in which Garcia was extradited was severely challenged by PRD members, who indicated that laws were ignored. PRD bloc coordinator Ortega pointed out that the government conduct tarnished the actions of judicial authorities, who were left to play a secondary role only.

[Begin Ortega recording, in progress] ...for the nation's sake, we need to learn of the true reasons. I believe that for the nation's sake, we also need to know that if Mexican Government officials violated the laws in the delicate process carried out to arrest Garcia, if there are Mexican officials who violated the law, they must be punished for the nation's sake in compliance with Mexican laws. [end recording]

[Aceves] Ortega also maintained that it is time to reappraise the legislators' role to summon those authorities who were responsible. Shortly after that, PRI member Amador Rodriguez Lozano, carrying the corresponding law in his hand, tried to explain that there were no contradictions whatsoever in the enforcement of Article 33 regarding extradition cases, because, on this occasion, the special law was above the general law. In addition, he said that the great ability of corruption and violence surrounding the drug trafficker weighed a great deal on authorities' mind, avoiding the risk of Colombianizing [colombianizacion] his process in our country.

[Begin Rodriguez recording] His capacity to corrupt others is incredibly large. He is a person capable of a great deal of violence. The fact that his people killed the 10 witnesses when U.S. authorities arrested him in 1984 attests to this assertion. They are people capable of a great deal of violence. This is one of the reasons why they considered it necessary to enforce Article 33. [end recording]

[Aceves] Finally, PAN [National Action Party] member Salvador Perez Noriega, who is the president of the Justice Committee of the Chamber of Deputies, stressed that the authorities who are responsible for this extradition, the foreign and government secretaries, and the attorney general must appear before commissions, not before the plenum of Congress, to talk in private to deputies. [passage omitted]

Presidency Communique on Meeting

PA1801040096 Mexico City Radio Red Network in Spanish 0000 GMT 18 Jan 96

[From "The Night Monitor" newscast]

[FBIS Translated Text] The Presidency of the Republic, through the Social Communication Directorate, has issued the following communique:

President Ernesto Zedillo on the evening of 16 January attended an informal meeting, along with the distinguished members of all political parties that comprise the Permanent Commission of Congress.

This meeting, in which there were no messages, speeches, or statements whatsoever, constituted a respectful and cordial rapprochement within the framework of the division of branches by President Zedillo and deputies and senators of the various parliamentarian blocs. The meeting was strictly private, and this is why the Presidency of the Republic did not issue any statements.

As for the expulsion and arrest of Juan Garcia Abrego, the Government and Foreign Relations Secretariats, as well as the Attorney General's Office, are the adequate institutions that, within their respective fields of operation, must meet the information needs society has.

PGR Denies Abrego's Capture Negotiated

PA1801042996 Mexico City NOTIMEX in Spanish 2335 GMT 17 Jan 96

[FBIS Translated Text] Mexico City, 17 Jan (NOTIMEX) — The Attorney General's Office [PGR] today denied that drug trafficker Juan Garcia Abrego was captured as the result of negotiations with Garcia Abrego himself.

The PGR said the capture of the 51-year-old drug capo was not the result of a single operation but the result of several actions. Many of them were fruitless, but gradually yielded information that led to the capture.

According to a communique, several news media reported during the last quarter of 1995 that Garcia Abrego was negotiating his surrender under certain terms, including that he should not be handed over to U.S. authorities.

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The PGR said the report reached several of its officials but that the reply was always the same: "The only guarantee that will be offered Garcia Abrego if he surrenders is that he will be protected during the surrender."

The very fact that he was expelled from Mexico completely cancels out the possibility of his capture being negotiated, because his staying in Mexico was one of the requirements demanded by the drug kingpin, the PGR commented.

The PGR further reported that Garcia Abrego's arrest was handled "solely and exclusively" by members of the National Counternarcotics Institute [INCD], whose priority duty it is to combat drug trafficking by capturing the most prominent kingpins.

Garcia Abrego's capture was the specific duty of the Judicial Counternarcotics Police. For this reason, a number of special investigators were designated to follow up several clues, the PGR added.

The PGR said that drug kingpins usually go about well-protected. Garcia Abrego was aware he was being tracked closely and, for this reason, sometimes was accompanied by small groups of people.

In fact, the PGR said further, on the day of his capture, last Sunday, in Nuevo Leon state in the country's northern region, Garcia Abrego was accompanied by two bodyguards, who escaped.

PGR said that INCD knew that Garcia Abrego would be in a house in Villa Juarez, Nuevo Leon state and that, for this reason, a "discreet" operation was mounted with 15 men who had instructions to capture him with preference to any other person.

Zedillo: Abrego Extradited for Security

PA1801044796 Paris AFP in Spanish 1531 GMT 17 Jan 96

[FBIS Translated Text] Mexico City, 17 Jan (AFP) — President Ernesto Zedillo has revealed to senators that the expulsion of drug trafficker Juan Garcia Abrego, head of the Mexican Gulf Cartel, to the United States "was done for national security reasons" because the kingpin "could organize, in a matter of hours, an operation to destabilize the country."

During a meeting behind closed doors with congressmen held on Tuesday evening at the Campo Marte Military Club in this capital, Zedillo revealed that the arrest was not revealed to Mexican and U.S. authorities to prevent any leaks.

The media reported on Wednesday that Zedillo admitted secrecy was necessary because investigations to intercept aircraft with drug shipments were aborted on various occasions due to leaks from the United States.

The congressmen said that Zedillo also recognized "Mexico has no capacity to face a power of such magnitude," so Garcia's immediate expulsion to the United States was determined.

He also deplored that Mexican authorities lack legal mechanisms to tap telephones and a witness protection program so they report on organized crime members.

Garcia Abrego, head of the Gulf Cartel and leading local operator of Colombia's Cali Cartel, was arrested on Sunday evening at Bosques de la Silla residential area, Juarez Municipality, 13 km from the northern city of Monterrey, Nuevo Leon State, where the kingpin has his operations center.

The operation lasted 20 minutes and was handled by an elite group of the National Institute for the Struggle Against Drugs (INCO), an agency of the Office of the Attorney General of the Republic (PGR), which transferred him by airplane to Mexico City that same night.

At midday on 15 January, Garcia Abrego was being expelled to the United States in a PGR airplane and jailed in Houston, Texas, where he faces charges of money laundering, drug trafficking, criminal association, and murder.

According to witnesses, Garcia Abrego "ran out of the house and tried to jump the street fence, but was captured together with two other people who were accompanying him."

The witnesses added that "the PGR men were heavily armed, arrived in six pick-ups, with four more joining in afterward. One of them was used to ram the main door until it opened."

Right then Garcia Abrego attempted to flee by the back, but more agents awaited him there. The witnesses added that for the past three years the head of the Gulf Cartel had "visited the rural estate, where he spent a few days."

According to testimony by a former Gulf Cartel member, which was collected by the Mexican Consulate in Brownsville, Texas, and published here, the PGR knew Garcia Abrego's "operating mode" in his native city of Matamorros, Tamaulipas (north), as well as the names of his underlings and the exact place of the clandestine landing strips for the "narco-planes."

In the consulate's document, quoted today by LA JORNADA newspaper, it adds that "the Federal Judicial and the Tamaulipas Police and some members of the

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Mexican Navy allowed the landing of airplanes and guarded the transfer by road to the United States."

"In fact, one of the landing strips is located in El Galmeno ranch, right behind the Navy Secretariat headquarters, from where it can be seen perfectly when planes land," the document quoted by LA JORNADA says.

Secretariat Issues Communique on Investments, Concessions

PA1701214896 Mexico City NOTIMEX in Spanish 0240 GMT 15 Jan 96

[FBIS Translated Text] Mexico City, 14 Jan (NOTIMEX) — Transportation authorities announced today that the state will retain control of the telecommunications, railroad, port, and airport systems since Mexico's system of concessions as it applies to private sector investment from both here and abroad in no way suggests that these systems are for sale.

The Communications and Transportation Secretariat [SCT] issued a communique explaining that the concessions aim to encourage investment in an effort to expand and modernize an infrastructure that Mexico needs to meet the challenges posed by competition within a global economy.

The SCT announced that with implementation of the new legal framework regulating the communications and transportation sector about to enter into effect, the social and private sectors are now being provided with greater opportunities to take part in the construction, expansion, modernization, and operation of the country's basic infrastructure.

The communications and transportation legislation published this past June also offers more opportunities to improve services since it can now provide more guarantees and assurances for investors, the SCT communique added.

Other objectives of the new legislation include expanding the infrastructure as well as diversifying services to benefit patrons, encourage the country's economic recovery by providing new jobs, and ensure a greater Mexican presence abroad, the communique pointed out.

With the new legal framework, the SCT explained, national and foreign investors will be able to rely on a wide array of investments in strategic areas and, at the same time, a policy has been outlined aimed at ensuring sustained economic growth.

The communique stresses that with sustained economic growth, the government will be in a position to assign more public funds to cover social needs.

With respect to the telecommunications sector, the SCT pointed out that with the new law, which was published on June 1995, the state will continue to oversee and control radiotelegraphic airspace as well as the orbital positions assigned to the country.

In addition, it will be allowed exclusive rights to operate the telegraph and radiotelegraphic public service systems.

As relates to the railroad system, the SCT communique stresses that the objective of restructuring is intended to provide the country with a transportation system more linked to the ports, airports, and cargo transport system.

The communications secretariat contends that, with respect to the Civil Aviation Law, the objective is to improve the operational levels of the airport infrastructure, as well as to promote balanced competition between service suppliers so that they can operate in an efficient and safe manner.

Head of Federal Delegation on Talks With EZLN

PA1401005496 Mexico City LA JORNADA in Spanish 9 Jan 96 p 8

[Report on interview with Marco Antonio Bernal Gutierrez by Salvador Guerrero Chipres in Coayacan; date not given — first 12 paragraphs are introduction]

[FBIS Translated Text] The next meeting with the EZLN [Zapatist National Liberation Army] "looks promising," because it will be preceded by a presidential commitment to establish a new pact between the government and the Indian communities, there is willingness to make "all the necessary reforms," and also because the "symbolic gesture" of Subcommander Marcos of laying down arms "could pave a new path," Marco Antonio Bernal Gutierrez, head of the federal delegation to the talks in San Andres Larrainzar, has said.

Bernal has said the 10 January meeting, which will be the third one for the Indian rights table and the 10th overall between the two parties in San Andres Larrainzar, "will be decisive." The government is willing, he added, to reincorporate Ocosingo and Las Margaritas, the municipalities that have a heavy EZLN presence.

This optimism is based on the government's willingness "to discuss even the arms issues if they want."

Bernal has said the EZLN "publicity has lost efficiency" and that it is not far from realizing "it has been more efficient through agreements and serious proposals."

The people are no longer noticing its propaganda but "are expecting the players to act seriously."

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The government representative believes there are various facts the people "must know about" in order to have a better perspective of the next meeting in Chiapas.

He has mentioned the repeated presidential proposals to establish a new pact between the state and Indian communities, the federal government's willingness to make the necessary reforms to establish a new relationship with them, and the fact that the government "has given the EZLN all possible opportunities to carry out its activities to lessen tension and to demonstrate its willingness to achieve a political solution and that it has also urged the EZLN to carry out political as opposed to military activities."

Delegates of the executive branch believe the "encouraging signs" of the past year have nursed "our hopes that we will be able this time around to consolidate a negotiation process that will bring about a dignified and just peace through legal means. If this does not happen this year it will happen the next."

"Marco's gesture to disarm is somewhat symbolic. It could be propaganda but is, nevertheless, a symbolic gesture that could bring about change. We have not discussed the arms issue, but if they wish we would do so gladly. We are always ready to discuss issues presented at the negotiation table," Marco Antonio Bernal has told this newspaper during an interview at his office in Coayacan.

Celerity, willingness, and adequate conditions are words the presidential representative now uses frequently.

"We hope that discussion of the issues will advance with more celerity to the extent that more trust is built between the parties during negotiation," he added.

It is essential "for it to be understood that arms have no place in a negotiations process, a peace seeking effort," Bernal added. "I reaffirm it is encouraging that the EZLN has decided to establish a political organization, and this leads us to think there will necessarily be a negotiated solution sooner or later. Neither party should resort to violence to solve these problems. I believe that this is the spirit prevailing in society and that society is convinced conflicts should only be resolved through political means.

[Guerrero] What about supposedly difficult issues such as autonomy?

[Bernal] We do not think the autonomy issue is difficult. In principle, it is not an issue the federal government rejects. I believe there is confusion regarding discussions between various EZLN advisers and government delegations. We do not reject the issue. We do try to clearly define autonomy. We support autonomy under two basic requirements: One, that state sovereignty and national sovereignty be preserved, and two, that the human rights guaranteed to every Mexican citizen by the Constitution of the republic be respected.

[Guerrero] In other words, the government opposes the existence of the three branches in an area designated as autonomous.

[Bernal] No. The situation here is that the concept of autonomy cannot be applied on a general basis; that is, the ethnic groups from Sonora State have a few traits in common with the ethnic groups from Chiapas State. The same applies to the ethnic groups living in Mexico State or those living in Oaxaca State. First, we believe the concept of autonomy must be based on the acknowledgement of the diversity of the country's various Indian communities. Second, a key element is how one defines the concept of autonomy. We cannot speak in general terms because of the diversity itself of the ethnic groups and the large number of these groups in this country. We cannot have the same concept of autonomy for everyone. We must define the subject and must do so in terms of the situation each Indian community is experiencing. I believe this principle is a basic one: To accept that there is a large number of Indian communities and to accept that there is great diversity in the modes of Indian life. Third, we must accept that the fundamental point in defining autonomy is the acceptance of the Indian communities themselves.

[Guerrero] Has a position already been widely accepted and known by the government secretary and president of the republic?

[Bernal] Certainly. What I propose in terms of law and Indian culture and what I will propose at the negotiations table in Larrainzar is not a document that has not been disclosed to the government secretary or, much less, to the president of the republic. The president has just said in Veracruz no one has a patrimony regarding the needs and demands of Indians, and this is exactly my argument. There is great diversity among the large number of people who constitute Mexico's Indian communities, and they all must receive prompt answers to their problems.

[Guerrero] Has the resistance of the government delegation to the scene stealing which has been attributed to Subcommander Marcos and which did not allegedly let people see the views of the rank and file of the EZLN vanished?

[Bernal] We are also waiting for the EZLN to state its views conclusively. I understand that this special Indian forum, which is being organized in San Cristobal, is part of the EZLN's need to be able to delineate what

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an Indian culture is. Thus, we are waiting for them to explain to us their positions regarding the topics we have discussed.

[Guerrero] Have you considered the possible failure of the EZLN forum should more non-Indian people than Indians, as some have reported, attend it?

[Bernal] We have discussed this issue from the beginning. It is not a new situation. We discussed it since the first round of negotiations on law and Indian culture was held. I must state it as clearly as possible: The government, not the EZLN, has brought the Indian representatives. We have understood that they have gradually built their discourse on the Indian communities, and they have been shaping their position. We hope that this position will respond to the Indians' needs and that it will not be merely a theoretical statement.

[Guerrero] Do you believe their discourse is improving but their representativeness is suffering?

[Bernal] No. This point does not concern us. Finally, the EZLN has the moral obligation, and we also have the same obligation, to give an answer to the Indians' problems. We cannot ignore that this is the root of the problem and that the problem will continue with the EZLN and with us. It will continue to demand an answer. We hope we will be able on this occasion to give an answer to the Indian communities.

[Guerrero] Subcommander Marcos has said the government delegation lacks the capacity demonstrated by the CCRI [Clandestine Indian Revolutionary Committee] of the EZLN.

[Bernal] I believe this remark is one of their usual ones in this regard. We have never judged the capacity and quality of the EZLN delegation. We understand that the delegation sent by the EZLN is the one deemed capable of negotiating agreements. We have been respectful of their delegation. In our case, the delegation has always had the authority and capacity to make decisions at the negotiations table. We have not seen this attitude on their part.

Marcos: FZLN Represents Initiative of Peace

PA1601015896 Mexico City LA JORNADA in Spanish 10 Jan 96 pp 1, 13, 16

[Report by Jose Gil Olmos]

[FBIS Translated Text] San Cristobal de las Casas, Chiapas, 9 January — The Zapatist National Liberation Front [Frente Zapatista de Liberacion Nacional—FZLN] represents an "initiative of peace" of the Zapatist National Liberation Army (EZLN), and "the peace process will fail if it does not work out due to government actions," *Subcommander Marcos* has said during a lengthy news conference in which he explained that this proposal serves to "pave the way from an armed and clandestine organization to a peaceful, civilian, and democratic organization."

Before approximately 200 local and foreign reporters, the rebel group leader has affirmed that the EZLN "is not finished, not drained" and has accused the government of subtly preparing a military action "designed in the United States" against the Zapatist forces that includes the "ethnic cleansing" campaign against foreign observers the Government Secretariat is conducting and the new control over the news media.

He voiced his confidence that the FZLN, which falls within the framework of the Law for a Dialogue, Reconciliation, and Honorable Peace in Chiapas, can be consolidated without being used as a "political springboard." He has said the Fourth Lacandona Jungle Declaration "does not envision an offensive war on the government" nor "a competition with parties during elections" to seek power. It is instead an initiative to exercise democracy and a new plan of struggle against the state party system through legal and peaceful means.

He has said: "We harm no one if we fail. Nobody will die if we do it with a policy that does not envision seizing power. We are not promising social peace or the wellbeing of families in exchange for votes, nor are we imposing an economic model by means of violence and crime. We do not seek to be a new inquisitor that rules on morals, as the PAN [National Action Party] is doing. The political parties need not be afraid of us. We are not going to compete with them in elections."

He argued in this regard: "The failure could come from the government, as its actions seek to close the door on the EZLN's incorporation into civilian, peaceful, and democratic life. Peace in Chiapas will fail if this happens. We do no harm to anyone if we fail. The establishment of the FZLN does not amount to just marking ballots."

On several occasions during the lengthy news conference, in which he joked with reporters, *Subcommander Marcos* said about the EZLN peace initiative: "We are not envisioning an offensive war on the government, because there is no telling who is in power, given that the government is not defined. We are not envisioning violence with the FZLN either, because the front is for the benefit of democracy in community centers in the cities and countryside, where citizens can become organized to resolve their problems, because we have seen that the government cannot do that," he added.

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Accompanied by Commanders Tacho and David and sitting amid the audience at the El Carmen Cultural Center, located in downtown San Cristobal de las Casas, "where racism prevails," *Subcommander Marcos* has said both the Fourth Lacandona Jungle Declaration and the FZLN proposal are being reviewed within a historic framework by the EZLN Clandestine Indian Revolutionary Committee and the General Command on the country's situation, the dialogue with the federal government in San Andres Larrainzar, and the EZLN's relation with the civilian society and the members of the political parties.

Marcos has said: "What has happened here is that certain individuals and organizations have assumed the role of EZLN spokespeople, and its name has been used for other purposes. Our companeros are no longer willing to tolerate this conduct, and we have agreed we must create a bona fide, civic, and peaceful structure, protected by the law of the dialogue, in which the word of the Zapatists is pronounced by Zapatists.

"The second consideration is that we have come up with the initiative of the FZLN, because we do not see a determination on the government's part to find a peaceful solution to the conflict. We believe that as the Aguascalientes [pre—Colombian catacombs] were built, it is possible to build a peace process even if the government does not want it.

"The EZLN will try to create a new relation between the government and the governed when it launches the FZLN proposal to work jointly with civilian society and the independent, democratic organizations in opposition and to build peace that can be eventually imposed on the federal and state governments. This initiative is one of peace designed to enable an armed and clandestine organization such as the EZLN to relate in civic and peaceful terms with the civic movement and to build peace as the Aguascalientes were built," he has said.

Regarding the third consideration, Subcommander Marcos has said "the government and policy of negotiation and repression it is using for the dialogue and negotiation of the Chiapas conflict do not offer any alternative for the EZLN to participate politically other than to surrender. With the EZLN, we believe the EZLN could contemplate a gradual change to participate in the country's political life to the extent the conflict is resolved, depending on the results obtained by this political force."

He has said the EZLN, with its new political proposal, has made a political model of the country's situation in the 17th century, "referring to its similarities with the French intervention and the government of Juarez."

He added: What we are saying is that the current government, that of Carlos Salinas de Gortari, [as published] has implemented a policy of selling the national sovereignty and has had a relation with its governed very similar to that of a government of repressive occupation that drives the rest of the population to resist or surrender.

"As in the time of Juarez, an Indian, the EZLN is preparing for a process of resistance that will enable society to resolve its fundamental, government problems even if the government does not resolve them and even if the political parties do not take them into account. We do not oppose the people making social, economic, and political demands to the government, but we believe society should be able to organize and resolve such basic problems as health, education, and, especially, security. The Salinas case gives an idea of what can be expected from the government. "

Within this historical context, *Subcommander Marcos* has said that the Indian communities are the most experienced in resistance movements and that a large part of the country must learn from them.

He has warned that these projects "endanger the entire nation," as does "the settlement of accounts taking place in power, which has not ended and will reach the most criminal levels with a repeat of the murders of Colosio and Ruiz Massieu, with other names and in other places."

In this context, the rebel group leader has said the fact these crimes have not been clarified "not only means impunity for the perpetrators but impunity for a resolution draft to settle political differences within the state party system."

Based on this situation, he has said the only means government has to maintain order is through repression; "otherwise, the situation gets out of hand." To that end, the government is increasingly using the "participation of the Mexican federal Army and the entire repressive system in the national life."

This form of repressive control, based "on blows and lies," is causing social rancor and growing widespread instability, "which, as opposed to other times, is not limited to the most impoverished sectors but touches on other classes, the middle class, and even well-to-do sectors. Criminality is out of control, and criminal leaders operate from the government."

Consequently, he has insisted that after the EZLN realized that society does not support the use of weapons to achieve a change and its struggle against the state party system, other actions such as the FZLN have been

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undertaken because "we cannot carry out actions against the people."

He has said the EZLN was not created to oppose political parties but, rather, to oppose the state party system. He added those parties promoting democracy at all levels will find a natural ally in the front.

"We are changing the fundamental premise that if the ultimate goal of politics is to take power, what will happen with politics if we change that premise? What we want to demonstrate is that if we looked at power differently, we could produce another form of making politics," he has insisted.

"They staunchly criticize us for that, but we do not know why; they tell us it is impossible to fight for democracy if one's goal is not to take power, as if it were possible. What we want is to organize society in order to resolve the problems the government is not resolving, and we do not only refer to Indian problems but to all problems of the country."

He has disclosed that as it becomes respected by the government, one will observe the shift of the EZLN to that political group included under the National Liberation Movement.

"For us the problem of peace is not a problem of weapons; it is a problem of deciding the forms of struggle. If in the Mexican state there are means that make the legal, peaceful, and civic struggle possible, an organization favoring the armed struggle is absolutely absurd and must disappear," Marcos reiterated.

Meanwhile, the subcommander has said the case of the alleged involvement of former President Carlos Salinas de Gortari in offenses "is evidence of what occurs with a government that is not monitored and controlled by society."

Marcos has said: "We have had a criminal governing the country for six years and perhaps this year. If Salinas is brought to trial, it would signify the collapse of the state party, because he will not go down alone but will take with him the entire cabinet and the very Zedillo, who has protected him."

In addition, he has rejected that the National Democratic Convention (CND) and the National Liberation Movement (MLN) have failed, because the latter will make important announcements by the end of the month. These announcements involve the possible acceptance of MLN membership of political party members and social organizations like the San Angel Group, which have the problem with the name.

In the same news conference, he disclosed a list of 20 names of EZLN advisers who will attend the meetings of the third phase of the dialogue in San Andres Larrainzar, at the discussion on Indian culture and rights: Bartola Morales, Adelfo Regino Montes, Aldo Gonzalez, Aristarco Aquino, Abelardo Torres, Carlos Manzo, Adriana Lopez Monjardin, Grupo Rosario Castellanos, Barbara Zamora, Antonio Garcia de Leon, Luis Villoro, Gustavo Esteva, Julio Moguel, Luis Hernandez Navarro, Gilberto Lopez y Rivas, Ricardo Robles, David Fernandez, Hector Diaz-Polanco, Rodolfo Stavenhagen, and Alfredo Lopez Austin.

National Indian Forum Continues Discussions

PA1401041396 Mexico City LA JORNADA in Spanish 9 Jan 96 p 10

[Report by Jose Gil and Rosa Rojas]

[FBIS Translated Text] San Cristobal de las Casas, Chiapas, 8 January — The National Indian Forum has continued its discussions up to early this Tuesday morning after about 400 participants agreed to postpone its closing and to hold permanent discussions until April.

The forum's first session will end on 10 January in the presence of *Subcommander Marcos*. The Zapatist National Liberation Army [EZLN] had summoned this forum, which included the participation of up to 500 representatives of Indian peoples, intellectuals, and national and international observers.

The plenary session approved a seven-point action plan at midnight. The first point is to maintain a permanent session with mechanisms of community, regional, state, national, and international action among Mexican Indian peoples and other social groups throughout the country so as to achieve democracy through a new component.

Moreover, the participants agreed to establish a solidarity and support network for the forum itself and to spread the experience gained by Indian communities in exercising autonomy.

Another point contained in the plan is to detain the militarization and repression of Indian communities and to establish a special commission formed by the Cocopa [Harmony and Peace Commission], the Conai [National Mediation Commission], and the EZLN to negotiate the release of at least 6,000 Indians who are under arrest throughout the country.

Furthermore, the participants agreed to take the EZLN's proposal to become the Zapatist National Liberation Front [Frente Zapatista de Liberacion Nacional] to the Indian communities, but the formation of a commission to follow up today's action plan is still pending.

As this newspaper went to press, the EZLN and representatives of 30 Indian peoples were discussing opera-

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tional topics so as to extend the forum's discussions into a second session. Nevertheless, they made it clear that Indian communities should not be considered hereafter as ethnic groups but, rather, as peoples with customs, traditions, history, and languages of their own.

Finally, *Commander David* asked the participants to end the discussions on 10 January and to be patient, because "our struggle has its methods, its pace, and its timing, and it is a matter of understanding that we still have a long way to go."

Indians Report Militarization of Oaxaca Communities

PA1401132196 Mexico City PROCESO in Spanish 8 Jan 96 pp 16, 17, 19-21

[Report by Pedro Matias and Ignacio Rodriguez]

[FBIS Translated Excerpt] Oaxaca — With 10 military units belonging to the 26th Military Zone headquartered in Veracruz, the Army issued "a red alert" in the communities of the remote areas of the Juarez mountain range, which is located in northern Oaxaca State, to seek armed groups.

The "Emiliano Zapata" Zapoteco-Chinanteco Indians Union [Union de Indigenas Zapoteco-Chinantecos Emiliano Zapata] (Uizachi-EZ) on 4 January sent a written note to President Ernesto Zedillo and Oaxaca Governor Diodoro Carrasco Altamirano — the same note that was also sent to the public — informing them that "Army units have been stationed in various communities of the districts of Villa Alta, Tuxtepec, and Ixtlan, specifically in Asuncion Laxichila, San Jose la Chachalaca, Aytzintepec, and Yagalaxi, since 29 December 1995. They have taken attitudes of prepotency and harassment against the region's peasants, especially against the residents of the member communities of the Uizachi-EZ, pretending to link them to the alleged existence of armed groups in the region that have ties with the Zapatist National Liberation Army (EZLN).

This situation, the note went on, is "unusual and worrisome," because the Army units, far from guarding the security and welfare of the people, are intimidating them. In addition, on various occasions, they have stolen foodstuffs and belongings from the region's residents.

"We do not oppose the activities and missions the Army must carry out in our communities; however, we ask them to be carried out adhering to the constitutional mandates that rule us, without violating the citizens' rights."

In an interview granted to PROCESO, Uizachi-EZ legal adviser Jenaro Hernandez Gonzalez confirmed the militarization of the region through combing operations that have triggered a virtual state of siege. In denouncing the taut situation these communities are experiencing, Hernandez affirmed that the soldiers have erected roadblocks, forcing residents to declare themselves EZLN members.

He cited the case of Juvencio Alvarez Felipe, a native of the town of San Felipe Arroyo Macho and a high school student. He was interrogated under duress, attempting to involve him in activities typical of Uizachi-EZ peasant advisers and accusing him of being an EZLN member.

Meanwhile, Adan Hernandez, a member of the commission that drafted the note to President Zedillo and Governor Cardenas, reported that the soldiers are conducting raids, house by house, seeking weapons. He admitted that "certain" rifles and shotguns have been seized.

[PROCESO] What are the soldiers telling you all?

[Hernandez] They simply stop us, ask for the weapons, and accuse us of being guerrillas. Because many people do not speak Spanish, they do not understand their questions, which enrage them, threatening to kick the crap out of us...

Now that the "red light" is on in Oaxaca, the National Defense Secretariat (Sedena), through an agreement with Airports and Auxiliary Services (ASA), set up the first military air base in the country to be located outside military installations.

In a 15-hectare lot inside the Oaxaca International Airport, overlapping with "El Tequio" Sports Complex, the new base will cost approximately 25 million pesos and will have offices, hangars, maneuvering areas, and a platform with capacity for 20 helicopters.

The construction of the base, judging from the Army's logistics, stemmed from strategic reasons: To prevent any uprising in Oaxaca. It could also quickly cover the states of Chiapas and Guerrero, which are two of the other "centers of conflict."

The search for armed groups in Oaxaca intensified in early 1995 as a result of the publication of a communique issued by the so-called National Liberation Clandestine Indian Army [Ejercito Clandestino Indigena de Liberacion Nacional] (ECILN) on 11 January 1995 and signed by "Commander David" and "Subcommander Paulino." [passage omitted]

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Ex-Deputy Attorney General Said To Control Cocaine Heist

PA1401013996 Mexico City EL FINANCIERO in Spanish 7 Jan 96 pp 14, 15

[Report by Jose Reveles]

[FBIS Translated Excerpt] The Zacatecas heist was the heist of the century for Mario Ruiz Massieu:

The cocaine he ordered removed in a movie-like holdup carried out by 70 Federal Judicial Police [PJF] agents could be worth $200 million on the market. That is more money than has been discovered so far in Raul Salinas' bank accounts in Switzerland, the United Kingdom, and Mexico.

There is no formal accusation, however, against the former deputy attorney general for "the disappearance" of at least nine tons of cocaine in the final months of the Carlos Salinas administration or exactly two weeks before the August 1994 elections.

That charge alone would have been sufficient to obtain the much sought after extradition of the deputy attorney general, who is in a Newark prison.

Everything became more difficult as of 25 December, even if the Office of the Attorney General of the Republic [PGR] were to indicate some interest and willingness today to clarify the outrageous theft of the drug that arrived on 4 August 1994 in the town of Sombrerete, Zacatecas State (from Colombia via Panama) on board a Caravelle narco-jet.

Commander David Grajeda Lara, the man who carried out the higher orders to seize the cocaine shipment, died. The perpetrator of this outrageous theft, it was stated, died of natural causes, although in PJF circles the suspicion is that this was an execution, a way to silence him.

Confidential PGR reports clearly establish that it was Mario Ruiz Massieu who ordered and controlled the operation of the early morning hours of that 4 August.

In case of any doubt, he assigned men of his absolute confidence "to investigate" what happened in Zacatecas: Jorge Stergios and Enrique Arenal.

The former apparently fled the country and was the one who deposited millions of dollars in the U.S. bank accounts of his boss, Ruiz Massieu. Several deposits were made after the drug theft.

Arenal was dismissed despite a long career in the PGR, holding posts ranging from private secretary of Deputy Attorney General Javier Coello Trejo to Intelligence Director and Operational Coordinator of the National Counternarcotics Institute.

The cocaine had been seized and was being guarded by 18 commanders and officers of the Federal Highway Police, but after being threatened at rifle point and forced to take $200,000, they had to let 70 PJF agents remove the 7.5 tons of cocaine that was held in the narco-jet.

Moreover, of the 2,555 kgs officially reported as the total seizure, Stergios and Arenal, PJF Chief Adrian Carrera, and the late David Grajeda Lara removed on orders from Ruiz Massieu over 2 tons, leaving approximately 300 kgs.

There was a great uproar when an inspection revealed the moment the drug was going to be incinerated that the cocaine had been mixed with sand and lime.

You win some and you lose some. Then Zacatecas Governor Arturo Romo was given a detailed report of the irregularities. Ruiz Massieu was also notified of the matter. The former deputy attorney general is in prison for other crimes but not for the fabulous deal he made with the cocaine found in Sombrerete. [passage omitted]

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Roundup of Economic Developments Through 15 Jan

PA1501185296

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 15 January.

For Tuesday's securities auction, the Bank of Mexico has decided to raise to 500 million pesos (15.6 percent) its primary offerings of the Treasury Certificates (Cetes). As a result, public investors will hold 3.7 billion pesos in government promissory notes. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 8 Jan 96 p 5a)

Tomas Ruiz, deputy secretary of revenues of the Finance and Public Credit Secretariat (SHCP), has announced during a news conference that next week the SHCP will begin consultations with the country's productive sectors to learn the proposals each of the sectors have to make on fiscal policy. He added that the SHCP is committed to seeking a better tax system that encourages savings, investments, and economic activity. This year fiscal revenues will register a drop of approximately 1.2 percent. In 1995, tax collection amounted to 25.74 percent of the GDP, but this year this figure will drop to 24.53 percent. The incentives package, consisting of tax on assets, tax on new cars, fiscal credit to hire employees, and the possibility of deducting 100 percent of new investments, will cost the federal government alone 10 billion pesos, or .5 percent of the GDP. Ruiz added that in 1995 the SHCP filed 47

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complaints against 56 tax dodgers for 61 million pesos. In addition, suits were 25 tax officials brought to court were for corruption. (Mexico City XEW Television Network in Spanish 0400 GMT 9 Jan 96)

The Environment, Natural Resources, and Fisheries Secretariat (Semarnap) has reported that in 1995 the fisheries sectors registered a favorable balance of trade of $350.566 million, since Mexican exports yielded profits of $417.5 million and imports totalled $66 million. (Mexico City LA JORNADA in Spanish 9 Jan 96 p 47)

In 1995, daily consumption of automobile gasoline totalled 447.300 barrels, and 53.5 percent of this fuel was of the Magna Sin kind and 46.5 percent of the Nova kind. (Mexico City LA JORNADA in Spanish 9 Jan 96 p 47)

An 8 January item datelined Moncloa, Coahuila State, reported that Mexican Steel Mills, Inc. (AHMSA) registered a total production of 3.103 billion tons of liquid steel, the highest figure ever reached by this company. (Mexico City LA JORNADA in Spanish 9 Jan 96 p 48)

Decio de Maria, deputy secretary in charge of promoting industry and foreign commerce of the Commerce and Industrial Development Secretariat (Secofi), has admitted that the assembly plant industry corresponds to 34 percent of the total value of Mexican exports and generates 18 percent of total employment in the manufacturing sector. In addition, it is the second income-generating source of the current account. From January to November of last year, the total value of the assembly plant sector's exports rose to $29.464 billion. Also during this period, 432 new assembly plant programs were approved and the number of applications rose to 635. He made those statements during the inauguration of the expansion of a Daewoo electronics plant in San Luis Rio Colorado, Sonora State. The Daewoo company invested $254 million in this expansion and generated an additional 834 jobs. (Mexico City EL FINANCIERO in Spanish 9 Jan 96 p 23)

According to a 9 January Mexico City-datelined item, foreign investment in the Mexican Securities Exchange (BMV) shrank 49.58 percent by the end of 1995 when compared to the same period last year. (Mexico City NOTIMEX in Spanish 0106 GMT 10 Jan 96)

According to a 9 January report datelined Mexico City, the Bank of Mexico (Banxico) has reported that in 1995 the consumer price index rose by 51.97 percent, as opposed to a 7.09 percent annual inflation for 1994. The Bank said that only in December inflation rose by 3.26 percent. The increase in prices during December was caused by an increase in subway rates, electricity rates, and the price of gasoline. Banxico noted the basic market basket prices rose by 3.93 percent during December compared to November prices. (Mexico City NOTIMEX in Spanish 2322 GMT 9 Jan 96)

The Secretariat of Finance and Public Credit (SHCP) has reported that the new debt bonds issued by the federal government will have a 10.42 percent annual interest rate. This represents a 4.91-percent increase over the interest rates on seven-year Treasury Bonds (TESOBONOS). The rate for the new bond issue nearly doubles the 5.08-percent annual yield on seven-year U.S. Treasury Bonds. (Mexico City LA JORNADA in Spanish 9 Jan 96 p 45)

The public sector has reportedly replaced short terms obligations stated in dollars with resources from the financial aid package and was forced to institute fiscal and monetary discipline in light of the reduction of available funds due to the currency depreciation. Evidence of this is that for every peso placed in 1995 as internal debt, 3.5 pesos corresponding to the different securities in the hands of the public, especially TESOBONOS, were liquidated. In 1994 the government sold 202.231 billion pesos worth of bonds, 12.9-percent less than the bond issue in 1994. As a result of the devaluation, Mexican authorities took steps to "dedollarize" domestic liabilities. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 9 Jan 96 p 3A)

The SHCP has reported that the trade balance showed a $675 million surplus in November, compared with a $1.499 billion deficit for the same month in 1994. The SHCP noted that the Jan-Nov accumulated surplus reached $6.914 billion, while for the same period in 1994 a $16.775 billion deficit was observed. The total value of exported merchandise in November exceeded $7.136 billion, which represents a 16.8 percent increase over exports for the same month in 1994. The SHCP report indicated $73.98 billion worth of goods were exported during the first 11 months of 1995. This represents a 31.5 percent increase in exports over exports in 1994. (Mexico City EL FINANCIERO in Spanish 10 Jan 96 p 20)

Banxico has reported that the country's international reserves as of 5 January reached $15.8007 billion, which represents a $1 billion increase in the first five days of 1996. According to Banxico report, revenues totaled $1.729 billion during the aforementioned period, $1.495 billion from the bond sale and $234 million from Mexican Petroleum (Pemex) sales. Additionally, Banxico reported that from 2 to 5 January the monetary base declined by $3.435 billion pesos as a result of a

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reduced demand for bills and coins. (Mexico City LA JORNADA in Spanish 10 Jan 96 p 46)

The overdue loan portfolio of seven development banks in 1995 reportedly grew by 8.1715 billion pesos, totaling 15.6408 billion pesos. This represents a 109.4-percent increase with respect to overdue loan portfolio for the third quarter of 1994. During 1995, the seven development banks granted 5.6494 billion pesos in credits to finance projects in different economic areas. The National Banking and Securities Commission (CNBV) reported the overdue loan portfolio of development banks was equal to 5.67 percent of existing banks credit portfolio. (Mexico City LA JORNADA in Spanish 10 Jan 96 p 45)

A Mexico City-datelined item reports on 10 January that the National Foreign Trade Bank of Mexico (Bancomext) has established a $300 million commercial bond program at a 180-day term and a 1.40 percent Libor (London Interbank Offering Rate) rate. Bancomext reported the program will allow it to ensure the availability of funds for the next 270 days. This is the first commercial bond program established by Bancomext in the U.S. market and it is supported by a letter of credit of French bank Societe Generale. (Mexico City NOTIMEX in Spanish 2120 GMT 10 Jan 96)

A CNBV report has noted that the overdue loan portfolio of leasing companies grew by 133 percent for the period between September 1994-September 1995. It reportedly went from 2.336 million pesos in September 1994 to 5.217 million in 1995. As of September, leasing companies showed 821.220 million pesos in losses, as opposed to $428.546 million pesos in profits reported as of September 1994. Of 62 factoring companies, 33 reported sustained heavy losses while 29 obtained positive results in their operation. (Mexico City EL FINANCIERO in Spanish 10 Jan 96 p 8)

The market value of securities of companies registered in the Mexican Stock Exchange, BMV, was 738.169 billion pesos by the close of 1995. This represented a 12.11-percent nominal increase compared to 1994, but a real accumulated decrease of 39 percent. According to sources of the BMV and the Banamex-Accival Financial Group, this market value was equivalent to 45.21 percent of the GDP estimated for 1995. The sources added that the hotel sector suffered the largest drop. The total value of this sector's securities dropped to 4.126 billion pesos, that is, 58.90-percent lower than the figure reported in December 1994. (Mexico City LA JORNADA in Spanish 11 Jan 96 p 47)

Alejandro Valenzuela, spokesman for the Alliance for Economic Recovery, announced on 10 January that the Federal Government and two development banks issued bonds and securities valued at $1.1 billion in international markets between 3 and 10 January. He detailed that on 8 January the government issued $700,000 in bonds in the European market; on 9 January the National Finance Bank, Inc. issued securities for $100 million in the United States, Europe, and Japan, and on 10 January the National Foreign Trade Bank, Bancomext, entered the U.S. commercial paper market with a $300 million issuance. Valenzuela noted that as of 10 January the Mexican Stock Exchange has registered an 8-percent gain in 1996. He added that based on the lowest level that the market reached in 1995, the stock exchange registered a 107-percent growth. This was a 62-percent recovery in dollar terms. (Mexico City LA JORNADA in Spanish 11 Jan 96 p 47)

According to an analysis made by the Inverlat Financial Group, 20 percent of Mexicans hold 54 percent of the national income. It added that the formal sector of the economy generated less than 30 percent of the jobs demanded by society in the past 10 years. The study indicates that 48 percent of households live under subsistence level and this explains the growth of the informal market. It added that per capita income was 13,304 new pesos in 1995, that is, 16.7-percent lower than in 1980. (Mexico City LA JORNADA in Spanish 11 Jan 96 p 47)

The National Chamber of the Sugar and Alcohol Industries has reported that the current sugar cane harvest is 38.9-percent under the estimated target. It noted, however, that there will be no shortage because there is enough reserves to meet domestic consumption. This is the result of a sugar industry strike in December 1995 that halted the sugar cane harvest for two weeks. The accumulated yield of the harvest so far this year is 438,600 tons, that is, 9.87 percent of the total. This figure is under the one registered during the same period in 1995 of 505,144 tons. (Mexico City LA JORNADA in Spanish 12 Jan 96 p 46)

The National Institute of Statistics, Geography, and Information Science reported on 11 January that the employment rate of the manufacturing sector dropped by 7.4 percent between January and October 1995 in comparison with the same period in 1994. (Mexico City EL FINANCIERO in Spanish 12 Jan 96 p 19)

According to a Monterrey, 11 January-datelined item, Bancomext will increase its loans in 1996 to businessmen in northern Mexico by 40 percent in comparison to 1995, Bancomext regional director Fernando Ortiz reported on 11 January. He noted that the bank will grant about $2.3 billion to exporters in northern Mexico in 1996. (Mexico City NOTIMEX in Spanish 0107 GMT 12 Jan 96)

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Guatemala

President Meets With Taiwan Vice President

OW1701032996 Taipei CNA in English 0206 GMT 17 Jan 96

[By Maubo Chang]

[FBIS Transcribed Text] Guatemala City, Jan. 16 (CNA) — Guatemala President Alvaro Arzu told ROC [Republic of China] Vice President Li Yuan-zu on Monday that his administration hopes that ties between the two countries will be strengthened.

Arzu received the visiting Li and his entourage at his official residence. It was the second meeting between the two since Arzu took office on Sunday, underscoring the importance Arzu attaches to the ROC.

Li forwarded to Arzu a letter from ROC President Li Teng-hui, congratulating him on his election.

Li also told Arzu that the ROC cherishes its friendship with Guatemala and will spare no effort in building that friendship.

In return, Arzu thanked Li for attending his swearing-in ceremony, and asked Li to convey his personal greeting to Li Teng-hui.

Li also met with Guatemala Vice President Flores on Monday, congratulating him on his new position.

Meanwhile, overseas Chinese living in Guatemala held a dinner in Li's honor on Monday night. Li called on the overseas Chinese to join hands with the Chinese in Taiwan in their efforts to build a wealthy and strong country.

He told those overseas Chinese that the Republic of China has come a long way in its democratic development, and that the ROC's first popular presidential election, on March 23, will usher in a new era in Chinese history.

He urged them to cast ballots in the election.

President Forecasts 'Very Extensive' Mexican Ties

PA1201170196 Mexico City XEW Television Network in Spanish 0400 GMT 11 Jan 96

[From the "24 Hours" newscast]

[FBIS Translated Excerpt] Guatemalan President-elect Alvaro Arzu spoke with a "24 Hours" correspondent from Guatemala this evening. President Ernesto Zedillo will attend Alvaro Arzu's inauguration on 14 January:

[Begin recording] [Arzu] President Zedillo called me with the good news that he will attend the ceremony on 14 January.

[Correspondent] How will this affect bilateral relations?

[Arzu] It is very important to us. Ties of friendship, cooperation, and trade will be very extensive. [end recording]

Central American presidents have confirmed that they will attend the ceremony, as have officials from more than 40 countries. [passage omitted]

President Vows To Reduce Tax on Certain Goods

PA1201205396 Guatemala City Televisiete Television in Spanish 1900 GMT 10 Jan 96

[From the "Channel Seven News" program]

[FBIS Translated Text] Prices on bread, transportation, and other goods and services rose today, reportedly due to a hike in the value-added tax [VAT] that is triggering strong debate within Congress. The government, which conservative Alvaro Arzu will take over on 14 January, will push for a reduction in VAT. The government opposition Guatemalan Republican Front [FRG] and business circles are already criticizing the planned measure. The VAT, increased from seven to 10 percent on 1 January, emerged as a last-minute presidential campaign issue for both Arzu and Alfonso Portillo. While Arzu promised to reduce the VAT on basic goods and medicine, Portillo asserted that he would push the tax back to seven percent on all goods. The FRG tried to approve a decree to reduce the tax at a congressional session, but National Vanguard Party [PAN] deputies did not attend this meeting. The PAN will have 42 deputies in the 80-seat parliament as of 15 January, thus retaining a controlling majority that will be able to revise the decree that increased the VAT. The private business sector, including the leading Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations [CACIF], has asked Arzu not to reduce the VAT on basic basket goods or medicine for fear that it will corrupt tax collection measures. However, Arzu has reaffirmed that he will keep his promise and said that he does not agree with the CACIF's position. This indicates that the new president, as he asserted during his presidential campaign, does not have commitments to the power groups. The Guatemalan president-elect asserted that the VAT reduction will be a reality and that the businessmen, not he, are the ones who want to keep the tax at 10 percent on basic goods and medicine. Several government union organizations have said that they will not give Arzu's administration a honeymoon period to repeal the decree that increased the VAT from seven to 10 percent and have demanded that it be done immediately.

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President Presents Cabinet, Discusses Economic Policy

PA1401222296 Panama City ACAN in Spanish 1949 GMT 13 Jan 96

[FBIS Translated Text] Guatemala City, 13 Jan (ACAN-EFE) — President-elect Alvaro Arzu described Guatemala's economic situation as "extremely critical and difficult" and announced cuts to the value-added tax (VAT) on staple goods as he presented his cabinet of 12 ministers on 13 January.

He also promised to implement a 180-day shock program, putting his cabinet "to work" to review the state's general accounts. The central banks report operational losses to the tune of nearly $133 million annually on account of the monetary policy it has been exercising since 1990, when strict exchange controls on the quetzal and the U.S. dollar went into effect in an effort to promote economic stability and to prevent an inflationary spiral.

The new Guatemalan president, scheduled to be sworn in tomorrow to replace Ramiro De Leon Carpio, vowed to face the country's economic difficulties with energy and determination. Arzu urged civil servants who have already planned to strike to demonstrate maturity, remain calm, and recognize that solutions "take some time."

"We must take a harder look at Guatemala's very critical economic situation," he said, adding that a shock policy has not yet been developed to counteract the situation and set the foundations that will encourage balanced growth in the country.

He announced that he intends to cut the VAT on staple goods from 10 to seven percent. The VAT of 10 percent went into effect on 1 January, prompting a drastic rise in prices. The VAT increase, which unions widely criticized, was the last economic measure that President Ramiro De Leon Carpio took. He had warned of drastic penalties for speculators caught hoarding goods and raising prices over the approved three-percent VAT increase.

Arzu assured that revenue lost due to the VAT cut will be offset by greater zeal in tax revenue collections from a population of nearly 10.5 million people, 80 percent of whom live in poverty. The government's fiscal deficit currently amounts to $250 million.

Arzu also promised to improve the country's power system, with the construction of new electrical plants and installation of lines. The new president contends that this is the only way to increase the country's productivity to the point that it can export to NAFTA, which he pointed out sits right on Guatemala's border.

With respect to land distribution — one of Guatemala's most important domestic problems — the new president pointed out that he is against "idle large estates" and the "illegal land takeovers" that have caused serious rifts between farmers and authorities over the years.

Contending that Guatemala is in no position to waste money on elaborate celebrations, Arzu announced that his inauguration and the cabinet's first meeting — on 15 January — will be simple affairs.

He urged Education and Health Ministry workers demanding wage adjustments and National Electricity Institute workers rejecting privatization plans to demonstrate "civic maturity" and patriotism.

One of the first measures his government plans to encourage is the decentralization of the state administration that currently has a hold on all public services.

The new president confirmed that he will maintain an economic integration policy with the other Central American countries, especially with regard to tariff cuts. He believes that Central America must unite to face the challenges posed by economic globalization and NAFTA, the main market for the region's products.

Presidential General Staff Responsible for Arzu's Security

PA1201224596 Guatemala City PRENSA LIBRE in Spanish 10 Jan 96 p 3

[FBIS Translated Text] General Otto Perez Molina, chairman of the Presidential General Staff (EMP), said yesterday that the EMP will be responsible for appointing the security personnel to protect the life of President-elect Alvaro Arzu Irigoyen and ruled out that this group will include foreign bodyguards.

All of the president's bodyguards must be Guatemalan nationals, Perez Molina indicated when he was interviewed at 1130, following the inauguration of the works being conducted on the slope of Las Canas, on the way to Antigua Guatemala.

Perez said that an EMP delegate met yesterday with representatives of the National Vanguard Party (PAN) to coordinate all the details regarding Arzu's security.

After Arzu takes office as the new president, the EMP will be responsible for his security, he added.

It was learned that the president-elect wants his bodyguards to be chosen from the group that guarded him during his political campaign. That team included four foreigners.

Asked about this, former Defense Minister Mario Rene Enriquez Morales, who also attended the inauguration

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of the remodeling works on the slope of Las Canas, said that Guatemala should be ashamed to assign foreigners to guard the president.

Contrary to the view stated by Perez Molina, Enriquez noted that the presidents should be able to hire the security personnel they deem appropriate. However, he stressed that the country is capable enough to protect them.

Assigning foreign bodyguards to protect the president would be a sign of incapacity and we are not incapable, Enriquez concluded.

Army Proclaims Subordination to President Alvaro Arzu

PA1601231996 Guatemala City Teleonce Television in Spanish 0100 GMT 16 Jan 96

[From the "Telepress" newscast]

[FBIS Translated Text] The day after the new president took office, 15 January, the Army proclaimed its subordination to President Alvaro Arzu as its commander general. The event was held at Constitution Square, and the reassertion of the incoming government's resolve to expedite the conclusion of an armed confrontation that has already lasted 35 years was among the most significant aspects.

[Unidentified reporter] At a special event held at Constitution Square, President Arzu received the leadership as Army commander general. The air, marine, and land branches comprising the armed forces attended the act. In his speech, Defense Minister General Julio Arnoldo Balconi Turcios stressed the armed institution's subordination to the president of the Republic.

[Begin Balconi recording] This event is the result of the consummation of another phase of democratic exercises, which continues to consolidate the Guatemalan political system. It is very significant that we take advantage of this important moment to make public the awareness of the armed institution on the current domestic and international situations and the major challenges they pose and to express what we expect, as soldiers full of ideals, from the new Army commander general.

With the presence of a large number of soldiers today, the armed forces voice their desire to make even more relevant the constitutional mandate regarding the fact that the president of the Republic is the Army commander general. This action defines the recognition of today's soldiers concerning the subordination of the nation's weapons to the political authority that the Guatemalan people elected legally and legitimately. It represents a renewed military attitude with a view to the institutional strengthening of the nation, led by a deep conceptual change regarding the power of democracy and respect for the people's resolve.

The Guatemalan Army, Mr. President, has been briefed on and is aware of the changes the world has undergone, especially the emergence of a new international order driven by a large theme that includes unrestricted respect for human and basic rights, the strengthening of the state of law, the preservation of peace under the implementation of a new global security concept, the consolidation of democracy, the disarmament commitments the powers have made, and the preservation of the environment. All this is reflected in the starring role the United Nations is playing in the international arena in order to keep peace and prevent the illegitimate use of force to resolve conflicts. [end recording]

Defense Minister Discusses Rebel Attack, Peace Process

PA1701143296 Guatemala City Cadena de Emisoras Unidas in Spanish 2038 GMT 16 Jan 96

[FBIS Translated Text] National Defense Minister General Julio Balconi today condemned the guerrilla attack in San Marcos and the rebel takeover of Tecpan. He said that these actions are not in line with what the guerrillas state in their communiques:

[Begin recording] [Balconi] The URNG [Guatemalan National Revolutionary Unity] has said from Mexico that it wants to step up negotiations and sign a final agreement as soon as possible. What is happening in the country is not in line with this.

[Correspondent] [Words indistinct] signing a peace agreement is feasible this year?

[Balconi] Yes, I think it is feasible. We have made so much progress. It would be sad if negotiations were interrupted due to events like the one you mention.

[Correspondent] General, would a cease-fire be feasible to pave the way for signing a peace accord?

[Balconi] That would be the ideal thing, although it is a topic that is scheduled for future discussion in the negotiations. The ideal thing would be for weapons to fall silent.

[Correspondent] General, despite this attack — in which an officer was killed and a number of people were injured — if rallies are held, do you think this appeal, this rapprochement, this guerrilla action is only a token appearance intended to exert pressure at a given moment so the talks are resumed and expedited within a short time?

[Balconi] I deplore the death of Comrade Captain Miranda and the fact that a number of soldiers were

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injured. They are being treated at the military medical center. We would like these actions to stop. One thing I want to do as defense minister is to help accelerate the negotiation process to the point that we can conclude the discussion of pending issues this year. [end recording]

[Panama City ACAN in Spanish at 1526 GMT on 16 January reports from Guatemala City: "A military source today reported that at least one officer was killed and five soldiers were wounded in two armed attacks in Quiche Department. An Army Information and Press Department (DIDE) spokesman told ACAN-EFE that the attacks took place late on 15 January. URNG guerrillas ambushed the soldiers as they were patrolling the area. The DIDE reported that Infantry Captain Giovanni Humberto Miranda died and another soldier was wounded in the first ambush and that four other soldiers were wounded in the second ambush. The army pointed out that the URNG's actions are not in line with its interest in seeking peace through negotations, instead suggesting that a warlike mentality still exists."]

Government Sets 1996 Macroeconomic Goals, Assesses 1995

PA1201224296 Guatemala City SIGLO VEINTIUNO in Spanish 10 Jan 96 p 8

[FBIS Translated Text] The government has set the macroeconomic goals for 1996, which the next government will use as a guide. The GDP growth rate was set at 5 percent; the average exchange rate for the quetzal vis-a-vis the dollar, at 6 quetzals to the dollar; and the annual average inflation rate, at 8 percent.

As for the tax burden, the goal was set at 9 percent of the GDP, and the government's total spending must not exceed 10.6 percent of the GDP.

An Assessment of 1995

According to the 1995 economic evaluation, the Bank of Guatemala (Banguat) reported that all sectors, mainly the agricultural, construction, and industrial sectors, were more dynamic than they were the year before.

The economic growth rate, it pointed out, was 4.9 percent, which is a higher rate than the 3.9 percent average rate recorded in the last five years.

Regarding the agricultural sector, the Banguat reported a 2.9 percent growth rate. In addition, it reported a 6.3 percent rate for the transportation sector and 7.9 percent for the construction sector. These sectors recorded 2.4, 5.2, and 4.9 percent rates, respectively, in 1994.

The production of exportable industrial goods, the report added, had increased by 24.8 percent in October 1995. It had increased by only 5.7 percent a year earlier.

The Banguat figures notwithstanding, the agricultural sector believes it was a bad year for its activities, especially because of the harm caused by the harsh winter and the big drop in the international coffee market prices.

Meanwhile, industrialists explained that investments were limited during the year due to the high banking rates and the uncertainty the fiscal reforms triggered.

Ombudsman Updates Figures on Human Rights Violations

PA1201202496 Guatemala City Teleonce Television in Spanish 0100 GMT 10 Jan 96

[Interview with Jorge Mario Garcia Laguardia, Guatemalan human rights ombudsman, with unidentified correspondent; place and date not given; from the "Telepress" newscast — recorded]

[FBIS Translated Text] [Garcia] Guatemala must advance and make structural changes to ensure a balanced, fair, and democratic society. We have been very slow to advance, despite our leaders' good intentions. These advances have been largely unrelated to changes in government. Although I must say that I found no evidence that President De Leon Carpio's administration endorsed human rights violations, it was unable to resolve the problems of a society that plotted to advance down that path.

[Correspondent] How many human rights violations have there been?

[Garcia] Discussing percentages is a very serious business...[pauses] sorry, I meant difficult not serious. It is very difficult to talk about percentages. However, the annual report that I plan to submit to Congress — I am currently revising it to include information on the final months of the year — shows that the situation is very serious. We only had 14,500 reports of human rights violations in 1994; we received 17,500 in 1995. This shows that our human rights situation has not improved. We noted 223 murders and forced disappearances; many illegal arrests; intimidation; threats; and even nine duly-proven torture cases.

I have only mentioned cases related to individual rights. When you look at the social rights situation — housing; health; education; the degradation of the environment, which is a fundamental human right — you will see that it is also very serious and that much remains to be done.

The new government faces the same challenges and problems that the first transition government of President Cerezo faced. We, every Guatemalan in political and social circles, must unite in our efforts to advance down the path to democracy.

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GAM Reports Rights Violations During De Leon Administration

PA1701014196 Guatemala City PRENSA LIBRE in Spanish 13 Jan 96 p 4

[FBIS Translated Text] The Mutual Support Group (GAM) yesterday charged that during the 39 months and nine days of the admininistration of Ramiro de Leon Carpio there were 6,363 human rights violations, including the murder of journalist Jorge Carpio Nicolle and Constitutionality Court (CC) President Epaminondas Gonzalez Dubon.

During a news conference held at the GAM's main office yesterday at 1000, Nineth Montenegro, deputy-elect and GAM leader, affirmed that during the De Leon government the changes that were observed regarding respect for human rights were minimal.

She added that impunity was prevalent during this period, which showed the president's lack of commitment to capturing and punishing the perpetrators of acts of violence, while army officers charged with disregard for the lives of several mass leaders and returning expatriates were protected.

In addition, Miguel Morales, representative of the National Human Rights Coordinating Board of Guatemala (Conadehgua), criticized the president for failing to abide by the Overall Accord on Human Rights and the accords on the resettlement of uprooted populations and the identity and rights of Indian peoples signed with the Guatemalan National Revolutionary Unity (URNG).

Will Ask Arzu To Fight Impunity

Morales asked President-elect Alvaro Arzu to promote major changes to fight impunity through a policy of respect for human rights, as he promised the people during his electoral campaign. He and Montenegro added that the new president must meet the basic needs of all Guatemalans who want better living conditions.

Some Murders and Human Rights Violations That Went Unexplained

1. Murder of lawyer and journalist Jorge Carpio Nicolle. 2. Murder of CC President Epaminondas Gonzalez Dubon. 3. Raid on San Carlos University and murder of student Mario Alioto Lopez Sanchez. 4. Kidnapping and murder of University Professor Apolo Carrranza Vallar. 5. Murder of leader Jose David Yapan Pele, executed by soldiers. 6. Murder of labor leader Alexander Yovani Gomez Virula. 7. Murder of human rights activist Borki Ulianov Tacatic. 8. Murder of National Vanguard Party (PAN) and New Guatemala Democratic Front (FDNG) activists. 9. Raid on GAM offices. 10. Stagnation of the peace negotiations. Source: GAM.

Murders: 2,206; extrajudicial executions: 360; disappearances without known cause: 243; forced disappearances: 153; kidnappings: 218; threats: 391; attacks: 318; massacres: 23; people killed in massacres: 118; kidnaped children: 194; arbitrary arrests: 2,139; total violations: 6,363.

Honduras

Congress Approves 1996 Budget

PA0401031896 Tegucigalpa LA TRIBUNA in Spanish 28 Dec 95 pp 56, 57

[FBIS Translated Text] Congress approved the 1996 Fiscal Budget with a substantial reduction of 105 million lempiras in government expenses.

The following is the complete text of a report presented to the full legislative chamber so that the people may have a better idea as to how their taxes and the state are handled.

Report

Sovereign National Congress:

We, the undersigned, members of the Budget Committee named by the president to issue a report on the 1996 budget proposal made by the executive branch through the Ministry of Finance and Public Credit and the Planning, Coordination, and Budget Ministry, give the following opinion:

1. According to subparagraph 32 of Article 205 of the Constitution of the Republic, it is the responsibility of the legislative branch of the government: "To approve every year the General Revenue and Expenditures Budget based on a detailed proposal made by the executive branch..."

2. Considering the aforementioned, we have conducted a careful study of the budget proposal and have had the opportunity to meet with representatives of different institutions, dependencies, and specifically with officials of the Finance and Public Credit Ministry.

3. According to the proposal, out of a total amount of 9.6997 billion lempiras budgeted in 1996, current revenues reach the amount of 7.3137 billion lempiras, which represents a 10.8 percent increase compared to this year's revised revenues. The greatest share of total current revenues come from tax revenues. Of the total tax revenues, 41.5 percent are those generated by taxes levied on production, consumption, and sales; followed by a 27.7 percent income generated from foreign trade; and revenue from income taxes represents 25.8 percent.

Non-tax revenues reflect an increase of only 1.0 percent compared to the revised non-tax revenue amount in

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1995 due basically to revenues generated by the new Merchant Marine Law.

We should emphasize that a 3.0 to 1.5 percent reduction in Customs Administrative Tax Services are contemplated in the 1996 budget, in keeping with Honduras's commitments because of its adherence to the GATT.

Capital revenues for 1996, will reach an estimated sum of 2.386 billion lempiras which will be made up of 20.8 percent internal loans — or 500 million lempiras which will come from the Central Bank of Honduras — and 78.8 percent from external funds — from loans and donations. It is important to point out that total estimated expenses are in keeping with the country's fiscal reality.

4. Regarding expenses, we have established that 37.3 percent of these expenses are "operating costs"; 31.6 percent are earmarked for payment of the "public debt"; 18.5 percent for "current and capital transfers"; and 12.5 percent for "investments."

From the point of view of the destiny of these funds, after deducting the 31.6 percent for payment of the debt, the remaining 68.4 percent in distributed by sector as follows:

	Percentage
Social Expenses	35.5
Infrastructure	9.2
Production	5.0
Defense, Security	3.4
Others	15.3
Sub-Total	68.4 plus
Public Debt	31.6
Total	100.0

5. After comparing the 1996 budget proposal with the 1995 Budget, and its modifications, the most significant increases are in the following sectors:

A. Judicial Branch. Attending the President of Congress' political decision to comply with the constitutional transfer of 3.0 percent in three years, for the 1996 proposal the amount of the judicial branch budget has been increased 70 million lempiras, for a total of more than 180 million lempiras.

B. Electoral Organization. In order to carry out the urgent task of purging the National Voters' Registry, the identifications of individuals, and the implementation of the vote according to residency, the budget of the National Electoral Tribunal and the Civil Registry has been increased by more than 60 million lempiras. This amount may not be enough, but as it becomes necessary, there is a political will to make the necessary increases.

C. Public Education. In education, the most significant increases are reflected in the transfer to the Autonomous National University of more than 60 million lempiras, the contribution to INPREMA [Teachers' Social Security Institute], which, as a result of the last teachers' salary increase, and others, will be increased by 30 million lempiras.

D. Health. Increases in this sector are oriented toward purchasing medicines, and the effect of this year's salary increase.

E. Public Debt. One of the most important sectors in the increase is the payment to the debt service which in 1996, if it is not condoned by the Paris Club, will reach more than 360 million lempiras.

F. Others. The proposal includes changes in other areas, due mainly to a routine increase in expenditures.

In the case of the legislative branch, it is important to point out that its budget not only includes the expenses of the Congress, but that of the Comptroller General of the Republic's Office and the Administrative Integrity Office which include increases in their budgets, and that, for the first time, as a result of the approval of the Law of the National Human Rights Ombudsman, its budget is included under Title 1-01 of the legislative branch.

6. The committee carried out an exercise, starting out from "zero," to include assigned amounts, and concluded that true availability is very limited. Regarding the overall budget, we share two basic goals with the executive branch:

1. To ensure the 1996 fiscal deficit does not surpass 2 percent of the GDP.

2. No additional taxes for the Honduran people.

7. Notwithstanding this, for the purpose of attending to other needs and in particular those that have a direct bearing on development, on the country's physical infrastructure, education, health, culture, human rights, and the Honduran people in general, the committee proposes issuing an opinion redirecting some budget assignments, without increasing the total amount of the budget.

Also respected are income projections contained in the project drafted by the executive branch, taking care not to include measures that mean new taxes or additional costs to be borne by the Honduran people.

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The acceptable fiscal deficit is maintained, which represents 2 percent of the GDP in the central government, which means a healthy fiscal exercise.

The committee, upon studying the budget determined that after the approval of the Telecommunications Framework Law, which later affected the project's presentation, income that had previously belonged to Hondutel [Honduran Telecommunications Enterprise] was not included, and with the inception of the National Telecommunications Council, CONATEL, the central government will collect 21.1 million lempiras.

8. The project's most important modifications are as follows:

A. In the field of protection to human rights, the committee proposed a 2-million lempira increased assignment to the National Human Rights Ombudsman, thus this institution will operate with a 6-million lempira budget in 1996, the highest-ever.

B. One of the greatest worries was the announcement made by the Prosecutor General of the Republic that the start-up of the General Directorate of the Fight Against Drug Trafficking [Direccion General de Lucha contra el Narcotrafico] was in jeopardy. The committee concluded that the operating budget for this unit for 1996 should reach 7.5 million lempiras, thus a 10-million lempira increase is proposed for the Office of the Prosecutor General. The committee met with members of the General Directorate of Fights Against Drug Trafficking and consulted with Carlos Sosa Coello, president of the Legislative Committee on Drug Trafficking. With this increase, the Office of the Prosecutor General's 1996 budget will amount to 100 million lempiras.

C. The committee proposed a 750,000-lempira increase to the contribution to the Honduras Association of Journalists [Colegio de Periodistas de Honduras], which they are entitled to in accordance with Decree 190-85 of 30 October 1985, because after 10 years there have been increases in billing that had not been compensated. With this increase the contribution to the Honduras Association of Journalists will amount to 1.75 million lempiras for 1996, which will strengthen its prevention [prevision] system.

D. Likewise, a 1-million lempira increase to the Office of the Prosecutor General assignment was proposed, in order to strengthen its work defending the state's interests.

E. In the field of education, which comprises one of the fundamental rights of citizens and is also an essential obligation of the state, the committee proposed a 32.7-million lempiras, basically to strengthen specific areas:

1. Increasing the term for the entire 1996 school year for new posts for grade school teachers, which had been limited from July onward;

2. An overall assignment to finance the creation, the making official [oficializacion], and the conversion of mid and technical level schools, in several places in the country;

3. Increase transfers to the National Autonomous University of Honduras to finance the opening and the operation of regional centers in Comayagua and Occidente;

4. The building, repair, and maintenance of schools and colleges as well as the Francisco Morazan National Pedagogic University, especially of the San Pedro Sula building.

The committee proposed for the health budget a 3.4-million lempira increase to finance certain sewer drainage projects and increase transfers to the Honduran Red Cross and the Honduran Institute for the Rehabilitation of the Invalid.

G. At the Communications Secretariat, the allotment for road construction amounts to 17.7 million lempiras in order to carry out several projects to benefit several communities in the country. The following projects stand out:

1. A perimeter road in Amapala Island, in Valle Department;

2. The beginning of the paving of the Piedras Azules-La Libertad road, in Comayagua Department;

3. A project to have labor force open and repair highways and roads in various communities of the country;

4. Paving of certain roads in El Progreso city, Yoro Department.

5. Opening and repairing of several neighborhood roads in various municipalities of La Paz Department;

6. Reconstruction of the Lepaera-Las Flores road in Lempira Department;

7. Construction of a road between Cerro de Vigia Campamento Nuevo and Rio Blanco, Catacamas jurisdiction, Olancho Department.

8. The allotment for Public Works is also supported at the Communications, Public Works, and Transportation Secretariat to finance the construction of a bridge over El Pescado creek, in Santa Barbara Department; the Manuel Bonilla sports complex in La Ceiba, Atlantida Department; the bridge over the Chamelecon River, between San Antonio Majada in Petoa, Santa Barbara

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Department, and Cofradia, Cortes Department; and others.

9. In the electrification sector, specific projects are consigned to be financed by the Electrical Development Social Fund [Fondo Social de Desarrollo Electrico], which the Framework Law on the Electrical Subsector created especially for the departments of Atlantida, Colon, Choluteca, Santa Barbara, and Francisco Morazan and the city of Amapala, in Valle Department.

H. As for the Natural Resources sector, the committee incorporates a specific irrigation project in Marale municipality, Francisco Morazan Department, which has water available for the project.

I. In the culture sector, the committee proposed specific allocations to repair the Santa Barbara Culture House, as well as to repair the San Cristobal Castle in Gracias, Lempira Department, and the Pespire Church, Choluteca Department.

J. The committee wishes to pay special attention to the country's municipal development. At the level of the central government, it certainly incorporates, in addition to the capital transfers to the corresponding municipalities, the execution of direct works, for some of which the resources are transferred to the municipalities. The others are directly carried out and included in the budgets of various state secretariats. The works the Honduran Social Investment Fund, FHIS, will carry out amount to 1.767 billion lempiras.

Only the report includes new transfers to various municipalities for the direct execution or for the execution by the executive branch of development works exceeding 11 million lempiras, works that added to those already consigned in the project total 50 million lempiras. This is why the direct support to municipalities in 1996 is increased by this amount. Because there are resources available throughout the year, there is political resolve to continue to support these works.

We are heeding the request of the Honduran Municipalities Association [Asociacion de Municipios de Honduras] (Amhon) that the transfers corresponding to the municipalities according to the Municipalities Law will be consigned to Title 4-16 Centralized Services, not to the Government and Justice Secretariat, in order to expedite the payment of the transfers.

In addition, the incorporation of a new article is being promoted in the General Budget Guidelines in which the Finance Secretariat expressly orders that these transfers be made quarterly and in advance in order to allocate or credit them to each municipality.

Likewise, the municipalities are being exempted from their obligation to continue to make contributions to purchase stock from the Autonomous Municipal Bank [Banco Municipal Autonomo] and from the obligation to pay the contributions that are pending.

The executive branch is granted a six-month period to forward to Congress a tangible proposal on the future of the Autonomous Municipal Bank regarding its financial overhaul, its reorganization, or its liquidation.

K. For the first time, a general demand to create an Emergency Fund is being heeded in order to react promptly to situations brought forth by natural or other disasters that inflict heavy damage on our fellow nationals, especially those concerning domestic disasters. The Permanent Committee for Emergencies, Copeco, will manage this fund, which the president of the Republic will assess.

L. In order to benefit those who consume up to 300 kwh of energy, for whom a subsidy has been announced, the Committee believes that the only way in which the subsidy could become a reality is by including an allotment to achieve this objective in the General Budget. In this regard, the Committee has allocated 40 million lempiras to subsidize the energy bills of those who consume up to 300 kwh. It understands that it has to increase this allotment during this fiscal year.

M. Likewise, it is hereby proposed the creation of an allotment for the operation of the National Telecommunications Committee [Comision Nacional de Telecomunicaciones], Conatel, which was created following the delivery [sentence as published]

The increases and additions we propose amount to 126,170,000 lempiras, which will be financed as follows:

A. By reducing the Comptroller General Office's allocation and, consequently, Title 1-01, "Legislative," by 1 million lempiras.

B. By reducing the allocation contained in Program 2-06 of Title 4-12, "Communications, Public Works, and Transportation," dealing with various compensations to particulars for the damage caused by the construction of the Tegucigalpa perimeter road because a Comptroller General's Office report is still pending, by 20 million lempiras. It is worthwhile remarking that the allocation will stand at 30 million lempiras after the proposed cut.

C. By reducing, in Title 4-15, "Public Debt," a 24 million lempiras allocation contained in Program 5-01 and identified as "Various Amortizations" because an adjustment was made after the allocation was found to be unnecessary for 1996 as the result of a technical

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revision jointly conducted with Finance and Public Credit officials.

D. By cutting, in Title 4-16, "Centralized Public Expenditures of the Executive," 60 million lempiras in the "Unanticipated" line from Program 1-01, "Centralized Services" because its description is incompatible with the concept of description of purpose of the expenditure and does not have a specific destination.

Total reductions: 105 million lempiras.

10. In addition, the committee proposes to create, in the non-tax revenue line, the revenue omitted in the project and produced by Conatel because of the management of the radio electrical spectrum, including permits and renewals, which had not been considered and which formerly was Hondutel [Honduran Telecommunications Enterprise] revenue, for the total of 21,170,000 lempiras.

11. The fact that capital transfers to the municipalities are no longer included in Title 4-02 of the government ministry but in Title 4-16 of the Centralized Services will have no effect other than the increase or decrease in the number of the corresponding titles.

12. As a consequence of the former, the total budget is increased by 21.1 million lempiras for a total of 9.7208 billion lempiras, and keeping the deficit in relation to the GNP at 2 percent.

13. As for the text of the General Regulations, the committee makes a favorable pronouncement, except regarding Articles 41 and 67. The first one, because as a standard it is already included in Decree 135-94. An amendment is proposed on Article 67 because it is thought that these prerogatives correspond to the National Congress and therefore cannot be delegated. We cannot ignore the existence of Public Administration Reform Program in which some legal provisions, once approved by the National Congress, will force modifications to the present structure of the general budget.

The committee also proposes to include new articles, in particular to clearly establish that the allocation, now of 100 million lempiras and which includes an increase of 23 million lempiras for the Public Ministry, includes the creation and operation of the Anti-Drug Directorate.

Articles to benefit the communities are proposed so transfers can be made directly and by anticipated quarters. In addition, contributions can continue to be made freely to the Autonomous Municipal Bank for purchasing shares and balances owed for that concept.

A six-month deadline, which ends on 30 June 1996, is given so the executive can present to the National Congress a specific proposal on the Autonomous Municipal Bank's financial overhaul, reorganization or liquidation.

The Tela municipality, which is the beneficiary of 4 percent for port cities, will receive the amount included in the budget as an act of justice, although the wharf has not been repaired.

It has been determined that the Copeco Emergency Fund can be used only in emergencies and under the president of the Republic's authority.

In view of the announced refinancing of the debt with Paris Club III, which will result in a saving in the public debt line, the committee proposes to include a new article clearly establishing that such resources can be used solely for social development and investment expenditures, even at a municipal level.

An article is also included establishing that the allocations incorporated in this opinion can be used solely for the purpose they were made.

The corresponding decree incorporating the proposed modifications is attached.

In this way, we have accomplished the mission we were entrusted with, by giving the opinion of this top national delegation.

Tegucigalpa, 20 December 1995.

[Signed] For the Budget Committee: Carlos Roberto Flores, president; Jorge Arturo Reina, Julio Cesar Villatoro, Roberto Micheletti Bain, Carlos Gabriel Kattan, Rafael Pineda Ponce, Maria de la Paz Rivera.

Armed Forces Chief Discusses Missing Persons Issue

PA1701201696 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 11 Jan 96

[Report by Lucia Alvarado; from "The Morning Paper" newscast; passages within quotation marks recorded]

[FBIS Translated Text] General Luis Alonso Discua Elvir, Honduran Armed Forces commander in chief, said on 10 January that the Armed Forces need not apologize for what took place in the 1980s, specifically with regard to the issue of missing persons. The initial purpose of the amnesties — on a Central American and at the national level — was to overcome divisions among the Central American people:

[Discua] "Since the start of the Central American presidents' summits in 1987, one of the objectives of the presidential summit in Esquipulas I and II —where amnesty was discussed for the first time — was to discuss the unity and tranquillity of the region. Honduras

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also has a right to peace, tranquillity, harmony, and reconciliation. Countries like El Salvador, Nicaragua, Guatemala, and others have sought reconciliation under these terms. Honduras has the right to improve its situation. Honduras has the right to tranquillity, peace, and harmony. That is what we should seek."

Relatives of the missing insist that the Armed Forces apologize for what happened in the 1980s:

[Discua] "We ask for forgiveness only from God. You ask God for forgiveness. One kneels before God and asks for forgiveness. The Armed Forces do not need to ask for forgiveness because it is not an institution filled with criminals. This institution was the black sheep of the last decade. It is the only one mentioned. The Armed Forces is not an island. It is part of a whole, of a society, of a state. When a state participates in an action, it does so as a state and not as an institution."

The Armed Forces chief refused to comment on pressure from the Commission for the Defense of Human Rights in Central America through protests over the Court of Appeals decision.

General Discua Elvir said that it should not surprise anyone that many people have worked with the Armed Forces in the past, as was the case with National Human Rights Commissioner Leo Valladares. It is a concern when someone uses this to try and harm someone else:

[Discua] "I do not know when he worked for the Armed Forces. I never referred to (?shameful actions). All I said was that if we were going to talk of military regimes, many people — not just one person, in particular — have worked for the Armed Forces. It harms this person to say he worked for the Armed Forces at some time. This is why during the military regimes, everybody worked for the Armed Forces — lawyers, engineers, doctors, etc. This is why we should not be surprised that someone worked for the institution in one way or another, for the military governments or the military institution, once it began to perform strictly its role of a military institution, for the executive branch. This is why I think that if we are going to discuss who worked for the Armed Forces, most professionals — or a high percentage of them — worked for the Armed Forces mainly in the military regimes."

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Argentina

Army Commander Invited To Visit Britain

PY1501185396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1137 GMT 15 Jan 96

[FBIS Translated Text] Buenos Aires, 15 Jan (NA) — Vice Foreign Minister Fernando Petrella confirmed this morning that Army Commander General Martin Balza was invited to visit London at the end of June.

Petrella told a radio station that the Foreign Ministry thinks Balza must travel to the UK because the friendly gesture "must be reciprocated."

Petrella said the invitation is within the framework of "a gradual warmup of Argentine-British relations."

The vice minister added that he doubted the much-anticipated visit of President Carlos Menem to England will be possible this year.

New Education, Labor Institute Chief Installed

PY0501123596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1155 GMT 4 Jan 96

[FBIS Translated Excerpt] Buenos Aires, 4 Jan (NA) — Martin Redrado, the new executive director of the National Education and Labor Institute (INET) — which is a department of the Education Ministry — stressed that he wants "Argentines to learn how to think and to choose."

The former president of the National Securities Commission assumed his post on 3 January during a brief ceremony at the Leopoldo Marechal Room of Pizzurno Palace with the participation of businessmen, diplomats, union leaders, officials, and legislators.

The former official of the Economy Ministry stressed that his previous participation in the Justicialist government, from 1991 to 1994, "was a challenge of reasoning, while my current post will be a challenge of the heart." [passage omitted]

Leftist Group Requests Recognition as Political Party

PY0901230696 Madrid EFE in Spanish 1606 GMT 8 Jan 96

[FBIS Translated Text] Buenos Aires, 8 Jan (EFE) — The leftist All for the Fatherland Movement (MTP) has asked to be granted official recognition as a political party of Buenos Aires. MTP ranking leaders are currently held in custody on charges of having attacked an Argentine Army barracks in 1989.

Adrian Witemberg, an MTP leader, said today: "We are not an underground group. We are engaged in politics and, therefore, it is only natural that we should be recognized as a party."

Witemberg underscored that the leftist group "does not act secretly" and is awaiting the release of its ranking leaders after Argentine President Carlos Menem grants them a pardon.

Although the MTP was founded in May 1986 as an independent movement, many leaders from the left wing of the Justicialist Party (the Peronist Party), the Socialist Party, Trotskyst groups, and peasants unions, among others, joined the MTP.

Among other proposals, the MTP put forward the idea of holding a plebiscite to decide whether Argentina should repay its external debt and to reform the Constitution to weaken the "extreme presidential" government prevalent in Argentina.

In mid-1988, a faction of the MTP secretly established a militarized organization, which incorporated Enrique Gorriaran Merlo, a guerrilla and former top leader of the Trotskyst group People's Revolutionary Army (ERP) who was wanted for crimes associated with political violence committed in the 1970's.

On 23 January 1989, some 40 members of the MTP attacked and occupied the 3d Infantry Regiment headquartered in La Tablada, an outer suburb of Greater Buenos Aires, under the pretext of preventing another military uprising.

Thirty-nine people died and 60 others were injured in the MTP attack and ensuing clashes with military personnel and security forces mobilized to regain possession of the headquarters of the 3d Infantry Regiment.

The 22 members of the leftist group captured following the attack, including a priest and two Spanish citizens, were given sentences ranging from 20 years to life imprisonment.

Gorriaran Merlo, who participated in the attack that took the life of former Nicaraguan dictator Anastasio Somoza in Asuncion, Paraguay, was arrested in October 1995 in Mexico and is currently standing trial for the attack on the 3d Infantry Regiment, among other crimes.

Menem conceded at the end of last year that he was considering whether to pardon MTP members and the military personnel who rose up in revolt in December 1990 under the orders of former Colonel Mohamed Seineldin.

Seineldin was sentenced to life imprisonment, while his followers were given sentences of up to 20 years' imprisonment.

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Eugenio Pendes on Cost of Financial Crisis

96SM0038A Buenos Aires LA PRENSA in Spanish 17 Dec 95 p 4

[Interview with Eugenio Pendes, Central Bank director superintendent, by Daniel Victor Sosa; place and date not given; first paragraph is LA PRENSA introduction]

[FBIS Translated Text] In the only interview that he has granted this year, the man in charge of monitoring the bank crisis told LA PRENSA that the run on banks has been surmounted with relative little damage.

[Sosa] Are the effects of the bank run completely behind us?

[Pendes] Everybody sees things his own way. The fact is that there are people who have studied the issue, who have tracked various crises, determining how many times the total volume of deposits fell 20 percent in nominal terms, how long it took deposits to decline by that amount, and what the consequences were. They have had to go back to the United States of the 1930's to find a financial system in which total deposits declined by 20 percent. But there it took three years, whereas in Argentina it happened in three months. In the United States, 10,000 of the 15,000 banks collapsed, two-thirds of the system. In Argentina just a tiny handful of banks collapsed, and the deposits that were not rolled over, that are not available, or for which no definitive solution is in sight right now account for less than one percent of the total deposits at the onset of the crisis.

[Sosa] According to your data, Argentina underwent one of the biggest crises in history.

[Pendes] That is true, and we should congratulate ourselves. If I were among the holders of the one percent of the deposits that wound up trapped, I would undoubtedly not be too happy. And there are other creditors who are not depositors and who are not happy either. But the financial crisis hurt depositors remarkably little.

[Sosa] Was it worse here than even in Mexico?

[Pendes] They renationalized their banks, costing them an abnormally high inflation rate and a sharp decline in all economic indicators. And there is nothing in sight to suggest that the trend will reverse itself in the short run. In Argentina we had a downpour, and already the sun is coming out again.

[Sosa] It was not like in Chile in 1982 either.

[Pendes] They had a very serious crisis, but the consequences were much more dramatic and long-lasting. Chile had to help the banks with very long-term loans, which 14 years later are still being paid back. The amount of funding that was made available here was substantially less, and the payback period is shorter too.

[Sosa] To what do you attribute this response?

[Pendes] There were many factors. First, the Central Bank had, and still has, a policy of setting very high reserve requirements, now called liquidity requirements. In other words, there was a cushion of liquidity that was able to absorb some of the decline in deposits. Second, the capital requirements that existed and exist are high, which makes it possible to absorb relatively large bank losses without incurring irreparable damage. Aside from the normal sources, if a bank is well capitalized and has good assets, it is in a position to respond or to obtain alternative financing elsewhere in the world and to cope with a run.

[Sosa] What other favorable factors were there?

[Pendes] One important one was the overhaul of the state's finances, so that it was able to take on fresh commitments and meet potential problems in the financial sector, such as the monies that were used to set up the trust funds very quickly. This could not have been done if the state's finances had been in bad shape. Last but not least, I think that the Bank Superintendency and the whole rest of the Central Bank did a very efficient job.

[Sosa] What makes you think that?

[Pendes] Developments were monitored minute by minute during the crisis, and money was put where it was most needed with quite satisfactory guarantees. Thus, the damage was in the end relatively minimal, very light.

[Sosa] There were also successful rediscounts of 4 billion pesos.

[Pendes] There you are adding together all the resources from the trust fund for private capitalization or for the restructuring of provincial banks, plus the rediscounts, plus what came to be called the private security net. The fact is that a relatively large amount of rediscounts remains to be returned, but basically this is because of the banks that collapsed, which remain in debt. In one way or another we are trying to find various ways of recovering these funds. The Central Bank has loan portfolios that it could sell at some point.

[Sosa] Roque Fernandez admitted that they owe 1.4 billion pesos to the Central Bank. Will they be able to pay this back soon?

[Pendes] I think that some of those loans can be paid back next year, after which the rediscounts will decline. In addition, there are relatively large amounts

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of rediscounts in provincial banks, which in turn are in the process of privatization, and thus the debts are going to be phased out. The rest is going to be repaid under normal circumstances, and the payback pace is good. In fact, we have established a regulation enabling the banks that have had to borrow via rediscounting to return the funds that they received in accordance with how their deposit portfolio is doing.

[Sosa] This obviously depends on how the economy recovers.

[Pendes] Of course, the big problem that Argentina in fact had was that it had to cope with a real and a nominal decline in deposits. Deposits have often declined by 20 percent in Argentina in real terms, simply because of a devaluation or because the price index skyrocketed. But this was smoothed out by having a lot more nominal money in circulation, which permits a quick adjustment in the financial situation of the banking system, etc. But this is the only time there has been a decline in both real and nominal terms.

[Sosa] This is the starting point for much more intense competition.

[Pendes] Yes. I think that the system has changed substantially. There has been a very significant concentration of deposits, and therefore another rearrangement. Throughout this process there have been many mergers. Many previously small banks now constitute a single substantially larger, more competitive unit. In some cases frontline foreign partners have come in; in other cases there have been fresh investments of capital.

[Sosa] Has the scale changed?

[Pendes] Yes indeed. Last year there were 205 banks; today there are around 150-160. There are pros and cons to a more concentrated system. The Central Bank never pushed the idea that being big was synonymous with being solvent or efficient. In fact, many of the sound, solvent, and liquid banks that remain today are small ones.

[Sosa] Is the process of concentration going to continue?

[Pendes] The issue of scale has many facets. A bank does not necessarily have to be very big. Small banks can share fixed services costs, thus enabling them to be competitive and profitable, even without constituting an economic unit. One of the largest banks in the United States is Bank One, which in practice franchises the use of a trademark by banks that are relatively small in comparison to the rest of the banks in the American system.

[Sosa] There is not as much sophistication here.

[Pendes] Agreed, but the situation could arise where many banks use the same name in common but operate as independent, separate units and in practice, therefore, are small banks. It is not a preposterous idea. The world offers a lot of different options. That does not mean that one encourages or discourages them, but the possibility exists.

[Box, p 4]

Changes in the System

Bank	Transaction	Target Bank
Integrado Departmental	25 % purchase	Banco del Chaco
	Takeover	Banco Aciso
		Banco de la Rivera
Caseros	Takeover	Banco del Noroeste
Banco Mayo	Takeover	Banco Cooperativa de La Plata
		Caja de Credito Dardo Rocha
		Banco Noar
		Banco Caudal
		Banco Provencor
		Banco de Olavarria
Israelita de Cordoba	Takeover	Banco Credito de Cuyo
BUCI	Takeover	Banco Vallemar
	Purchase	Banco de Credito Comercial
Del Suquia	Purchase	Banco Montserrat
Corrientes	Purchase	Banco del Ibera
Credito Provincial	Purchase	Banco de Junin
Velox	Purchase	Banco Asfin
Banco Patricios	60 % purchase	Banco de Formosa
		Banco Nueva Era
Finmayor	45 % purchase	Banco Sudecor
Banco de la Pampa	Purchase	Banco de Coronel Dorrego
Comercial de Tandil	Merger	Banco Los Tilos
		Banco del Fuerte

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Bank	Transaction	Target Bank
Entre Rios	Merger	Banco Cooperativo del Este
		Banco Cooperativo Institucional
Medefin	Merger	Banco UNB
Bisel	Merger	Banco San Jose
		Banco Nucleo
		Banco Coinag
		Banco de las Comunidades
		Banco Independencia
		Banco de Los Arroyos
		Banco Meridional
Del Sud	Merger	Banco Shaw
Argencoop	Merger	Banco CES
		Banco Horizonte
		Banco Nordecoop
		Banco VAF
		Banco Aliancoop
		Banco Local

Source: Central Bank of the Argentine Republic

Guidelines To Forestall Economic Crises

96SM0038B Buenos Aires LA PRENSA in Spanish 17 Dec 95 p 5

[Article by Daniel Victor Sosa: "Maccarone Gives Advice"]

[FBIS Translated Text] Before moving over to the Banco de la Nacion Argentina (BNA) to replace Aldo Dadone, the former secretary of finances, banks, and insurance, Roque Maccarone, devoted himself full time to putting out fires in provincial government banks, which were being battered by the tequila effect. At the same time, he put in writing some veiled criticisms of the system and the oversight regulations of the Central Bank, which did nothing about the unsound financial practices in provincial governments.

Maccarone worked on designing the "indispensable mechanisms for preventing possible crises" and, shortly before leaving his post, drafted a series of guidelines that the Economy Ministry is currently following in setting policy in this regard. This newspaper obtained a document that summarizes the "Maccarone solution," which is to establish a methodology that will enable the authorities "to forestall economic and financial problems in official provincial banks early on."

According to the official paper that LA PRENSA has seen, "the early detection of these crises will enable us to prevent, or at least soften, the social costs that interruptions of the financial flow cause in the provinces."

Confusing Regulations

The first element in the early warning system that Maccarone has designed aims at simplifying the complex methods that the Central Bank uses and at easing the information requirements for banks in the interior, requirements that are "extremely extensive and confusing."

To this end he developed nine monthly indicators that the Economy Ministry can readily monitor. They are: 1) liquidity, 2) adjusted net assets, 3) portfolio quality, 4) financing, 5) minimum cash on hand, 6) portfolio maturities (deposit/loan ratio), 7) cash flow (deposit and loan maturities during the following month), 8) detailed information on the 50 largest debtors, and 9) compliance with the regulation for minimum capital.

In order to "verify its ability to predict crises," the now head of the BNA implemented his system on a pilot basis from March 1994 to March 1995.

Specifically, it: 1) tracked the trend in liquidity at each official provincial bank; 2) noted which of them posted the biggest declines in adjusted net assets; 3) noted which of them, by the end of the period, had a value deemed below what was necessary, in terms of portfolio quality, for normal operations; and 4) compared them with a select group of private banks (Galicia, Nacion, Citibank, Quilmes, and Rio) that are well represented in the interior of the country.

The results of the "Maccarone method" for detecting a crisis were worrisome. Had it been employed instead of the system used by the head of Central Bank, Roque Fernandez, 16 banks would have been found to be in trouble.

The list includes the following: the Provincial and Social banks of Cordoba, Formosa, Rio Negro, San Luis, Santa Cruz, Tucuman, Chubut, Neuquen, Jujuy, and Mendoza, the Social Security banks of San Juan and Santa Fe, the municipal banks of Rosario and Parana, Salta, and Cofirene de Inversion.

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In the Red

Both the private banks chosen and the provincial banks suffered a major decline in liquidity. Yet the falloff in the latter was 48 percent greater than in the former. Only the banks of Santiago del Estero and Tierra del Fuego posted a rise, but from very low initial levels.

The indicator "adjusted net assets" (net assets minus shares and delinquent portfolio plus allowances) also reflected a more critical situation for the official banks. The drop was 91 percent during the 12 months of the study, compared to 24 percent among the private institutions. Here are two more worrisome facts: 83 percent of the provincial banks showed negative adjusted net assets, and on the average the trend for them was downward. The only ones that showed a favorable trend or posted a positive number were the municipal banks of La Plata and Tucuman, Santa Fe's Banco de Inversion y Desarrollo, and the Tierra del Fuego bank.

As for portfolio quality, the provincial banks posted a 43 percent rise in delinquencies from March 1994 to March 1995. This is far above the 11 percent recorded by the selected private banks. Only four of the provincial institutions stayed below 30 percent, and just one (the municipal bank of La Plata) had 10 percent nonperforming loans.

Also, financing through deposits fell 7.4 percent during the period in question among the provincial banks taken together. However, this average is similar to that of the private banks. In this case the tequila effect made itself felt starting in March.

'Tequila Effect' Variables; 1996 Outlook

96SM0038C Buenos Aires LA PRENSA in Spanish 17 Dec 95 p 5

[Commentary by Carlos Peres, manager of the Economics Department of the Banco Quilmes: "The System Will Be Increasingly Concentrated"]

[FBIS Translated Text] The tequila effect was not the only variable that brought on the financial crisis in Argentina, although it did act as a catalyst. There were three other causes. One of them was also external: the rise in interest rates in the United States from three to six percent a year. The other two were domestic: the worrisome level that the current-account deficit had reached—four percent of GDP [gross domestic product]—and the reappearance of the budget deficit during the second half of 1994.

All of these developments shaped 1995, as we can see from the evolution of four major variables. The first is deposits, in which we can see a clear-cut decline of $9 billion during the first quarter. Then came an initial remonetizing move totaling some 4.5 billion from mid-May to mid-August. A second such move in this direction can be seen as of October; to date it has amounted to 2 billion pesos. Thus, three-fourths of the decline has been made up. The second variable is the concentration that we can see in the financial system. Specifically, there are 50 fewer financial institutions today. There were both winners and losers in this process. The winners were: public national banks (including the Province of Buenos Aires), private national "branch" banks, and private foreign banks. The losers were: domestic private wholesale banks, domestic private cooperative banks, and public provincial banks.

The third variable is the evolution of the loan portfolios of the banks. We have chosen two indicators in this regard: portfolio quality (the ratio of the nonperforming loan portfolio to the total loan portfolio) and portfolio risk (the ratio of the nonperforming loan portfolio net of allowances to the total loan portfolio). These two ratios worsened from December 1994 to August 1995, due mainly to the economic recession this year, resulting in the GDP shrinking about three percent.

The fourth variable is liquidity (the ratio of incorporated reserves to total deposits). This ratio was one to five or even a bit better, then hit a low of 7.7/8.3 to 1 in late March, and is now back to the starting point.

As far as deposits and liquidity are concerned, the system went through its worst times during the first quarter. The outcome of the national election mitigated the uncertainty, giving rise to the first remonetization process, and the second remonetization began in October when the political crisis was surmounted.

The Outlook

The first thing that we need to consider in 1996 is the outlook for the economic variables. Broadly speaking, the prospects next year are for an economic recovery with growth of around two percent. And we do not foresee problems on three key fronts: the balance of payments, the budget, and finances. Given this framework, we expect the following for the financial system:

—Deposits. We can expect the current growth trend to continue. The process is going to continue being dollarized. In addition, this trend could be strengthened if the Central Bank's regulations aimed at encouraging the public to place the paper and coin money in its possession in banks are successful.

—Concentration. We see this continuing. The 1995 trend in terms of winners and losers is even going to hold. Moreover, we see fierce competition, which is

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already starting to appear. Various banks are offering packages of products and have cut prices. Others have begun to pay interest on checking accounts or have boosted the rates on savings accounts. This translates into lower prices and narrower spreads. At the same time, it forces banks to make up for this narrower spread with a higher volume of business. This requires increasing bank capital, in accordance with the Central Bank regulations that prohibit excessive leveraging. The result of this will also be further concentration. Many banks will have to merge with others or sell out to whoever is willing to provide capital.

—Liquidity. The Central Bank is trying to hone its requirements in a bid to have lending and deposit operations match for at least the first 90 days. This is why we can predict that liquidity will gradually be bolstered.

—Loan Portfolios. We are moderately optimistic. We see a gradual recovery in the quality of loan portfolios as a result of renewed economic growth. At any rate, high unemployment and the concentration in the rest of the variables (business, income distribution) are not conducive to a major drop in loan delinquency.

Poll Reflects Dissatisfaction With Banks

96SM0044A Buenos Aires CLARIN in Spanish 24 Dec 95 p 24

[Article by Oscar Martinez; first paragraph is CLARIN introduction]

[FBIS Translated Text] The feeling of the "friendly bank" has been lost. People feel that their banks have abandoned them when they most needed help. The public thinks that all banks are the same.

Forty-six percent of bank customers think they are not important to the bank they use; 99 percent of the users say the banks do not fully keep the initial promises they make to attract customers (see tables at end). Paradoxically, though, 82 percent of these dissatisfied customers are not thinking of changing their bank. These conclusions are contained in a poll of bank customers by the Eduardo D'Alessio & Associates consulting firm—reported to CLARIN—which reveals a critical point of Argentina's financial system: the bank-customer relationship.

Background

"We believe that this year was particularly critical. The 'tequila effect' had an impact: loans were canceled, overdrawn checking accounts were closed. The feeling of banks as friendly institutions disappeared," explained Nora D'Alessio, coauthor of the poll.

The situation that began in December 1994 is known to—and hurt—thousands of people: the bank manager who paid for an overdrawn check in return for a promise to make up the overdraft on the next day became the heartless bank official who closed checking accounts just when they were needed the most. The loan officer who pursued customers to offer them loans suddenly disappeared from the branch.

"Today customers feel that the bank is against them, that it does not offer assistance when the customer needs it," explained D'Alessio.

"If the customers have those feelings, how can you explain the 82 percent loyalty rate which the poll shows that customers have toward their banks?" asked CLARIN.

"This is a forced loyalty. The customers think that the same thing will happen in any bank they turn to. They have a feeling of powerlessness, whose root is the lack of options. This does not mean there are no banks that are working very well, or that do not have very satisfied users. It is as if people were saying: well, I will stay with my bank, after all...they are all the same," answered D'Alessio.

Nor is there agreement about the services the banks offer. When people were asked what services they would like their bank to offer, the order of priorities was the following:

- 1. Make loans of 200 to 1,000 pesos with a one-year maturity date.
- 2. Handle vehicle purchase transactions.
- 3. Arrange with supermarkets to debit purchases from the customer's account.
- 4. Make rent payments by debiting them from accounts.

These requests contrast with the sophisticated service "packages" which the banks now offer.

Defense

The banks know how their customers feel. They conduct their own surveys and most of the major banks have been looking for solutions to the problem for some time.

The banks see two major groups of problems. One is related to delays and the loss of time. And second, there is the customers' feeling of being at the mercy of the banks.

To solve the first problem, the banks are trying to upgrade the population's "banking awareness" by providing services to keep customers from going to the banks. "Lines form to pay for services, to withdraw money

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from savings accounts, to deposit a check, and all that can be done in a few minutes at an ATM," explained Carlos Gallo, manager of the quality control department of the Bank of Galicia.

Vito Sgobba, manager of quality and productivity at the Rio Bank, acknowledged that "the banks are aware that the quality of service is not what it should be. We know that people spend a lot of time waiting in lines, that there are delays, that there are problems we do not resolve...."

In relation to the second issue, Gallo said that "our idea is to listen to the customers. Seriously. We have studied the issue and we are concerned about this.... But the customers have to realize that the crisis has affected all of us."

Other banks say they have the problem under control. "Before opening, we did surveys and we found that 80 percent of the customers were unhappy with their bank, but barely 15 percent wanted to switch. With this information in hand, we designed customer services based on what people were asking for. Our advantage was that we were starting from zero," said Jose Pages, personal banking manager of the Itau Bank. "People's relationship with their bank is constantly becoming more utilitarian. Until now the banks have tried to operate by reducing costs. The big question is whether that will be sufficient," concluded D'Alessio.

The People's Opinion

Do the banks keep their initial promises?

In half of the cases	42%
No	32%
In a few cases	25%
Completely	1%

Do you think you are important to your bank?

No	46%
Yes	39%
Do not know; did not answer	12%
Other answers	3%

Are the services that the banks are promoting "usable"?

Some of them are	59%
All of them are	15%
No	13%
Do not know; did not answer	13%

Changes in Military Intelligence Announced

96SM0039B Buenos Aires LA PRENSA in Spanish 16 Dec 95 p 5

[FBIS Translated Text] The Army plans to "change the cultural standards for its military and civilian intelligence personnel and for its system of espionage." This was announced by the chief of Army intelligence, General Jorge Pedro Mina, during the celebration of Military Intelligence Day at the Campo de Mayo. "We are changing the cultural standards for our personnel and for the branch's intelligence system at large, in the certainty that only by making such a change will we be able to meet the challenges that today's world presents to us," Mina said. The general admitted that "this is a sweeping overhaul for those who experienced the contingencies of past conflicts." In recent decades Armed Forces intelligence has been placed in the service of domestic and political espionage, seeing its darkest days during the illegal repression of subversion in the 1970's. "Men in arms want peace," he went on to say, "but know how to make war. We must live together with both circumstances, taking an increasingly objective and calm approach as we distance ourselves from the past." And he maintained that "in the strategic field it is necessary to have an up-to-date view of the world and of the modes of integration and cooperation in the framework of foreign policy."

Brazil

Accounting Office To Investigate Raytheon Contract

PY1701154196 Rio de Janeiro O GLOBO in Portuguese 16 Jan 96 p 5

[FBIS Translated Text] Brasilia — The National Accounting Office (TCU), which has no deadline for completion of the auditing of the Amazon Region Surveillance System (Sivam), is willing to investigate the Aeronautics Ministry contract with Raytheon, the U.S. company that will supply the equipment. TCU member Adhemar Ghisi, the rapporteur of the case, said on 15 January that the auditing may call for an analysis of the contract. On 15 January, Aeronautics Minister Lelio Lobo

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sent Ghisi the ministry documents used for defending the project.

Ghisi said: "For the time being, we will concentrate on the relationship between the ministry and ESCA [Automation and Control Systems Engineering] (a Brazilian enterprise that formed a partnership with Raytheon, and which was removed from the project following charges of fraud against the INSS [National Social Security Institute]). We were not asked to investigate Raytheon, but we can do so just the same."

Yet the TCU is not the only obstacle the government faces concerning the project. Senator Carlos Antonio Magalhaes, president of the super commission investigating the irregularities in the Sivam project, has already informed the president that when the matter is submitted to the Senate plenary session, he will vote against it. After reading many documents and analyzing several statements, Magalhaes concluded that the process has irregularities. Senator Eduardo Suplicy (PT-SP) [Workers Party-Sao Paulo] is another critic of the project. On 14 January, he called Ghisi to ask for a full investigation into the contract with Raytheon. Ghisi replied that as soon as a request is received, the TCU will begin an investigation. He made it clear to the senator that he intends to analyze all phases of the project.

On 15 January, Ghisi held an initial meeting with TCU specialists to design a timetable for the job. Thus far they have come to only one conclusion: It will be very difficult to meet the deadline set by the government, which wants a TCU report before the vote in the Senate super commission on 7 February.

Ghisi said: "We cannot meet the deadline. There would be one week for the auditing, one week for me to look at it in my cabinet, and one week for analyzing the subject in the TCU plenum. It is impossible. The auditing process takes 60 to 90 days to produce a report. I need another 60 days to look into the subject. We will obviously not use all that time, but the matter is complex."

Senate members are concerned about approving Sivam without the TCU's final word. Rapporteur Ramez Tebet has said he would first like to read the TCU report.

Government leader Elcio Alvares (PFL-ES) [Liberal Front Party- Espirito Santo] said on 15 January that the Senate is independent and can vote on Sivam and approve it, even if the TCU later finds out that there were irregularities in the process. In such a case, with the TCU report, President Fernando Henrique Cardoso will have to decide whether to continue with the project.

Elcio Alvares said that "the TCU report will provide valuable support, but it is not the cornerstone in the trial of Sivam. The Senate should analyze the president's request, the project financing, and the replacement of ESCA." The rapporteur told Alvares that he does not intend to analyze only the presidential request, but also the charges pressed by the TCU.

The government tactic is to claim that the Senate should analyze only the presidential request for external financial support for implementation of Sivam and the replacement of ESCA.

Accounting Tribunal Starts Viewing Sivam Contract

PY1701210896 Sao Paulo AGENCIA ESTADO in Portuguese 1904 GMT 17 Jan 96

[FBIS Translated Text] Brasilia, 17 Jan (AE) — National Accounting Office (TCU) Minister Adhemar Ghisi, during the ceremony opening the annual TCU sessions today, told the other TCU ministers that contrary to what has been disseminated, the TCU will only now start investigating the $1.4 billion contract between the Aeronautics Ministry and the U.S. company Raytheon to build the Amazon Region Surveillance System (Sivam). According to Ghisi, the TCU has so far only investigated the participation of the company ESCA [Automation and Control Systems Engineering] in the project. The minister said that a preliminary examination of the Raytheon contract shows that "apparently all legal requirements have been met." Ghisi said that choosing the U.S. company without a bidding "is authorized by the law," although the last word on the contract will be given by the TCU "auditing office." The minister said that the fact that the TCU has started analyzing the contract does not interfere with the Senate decision to examine the authorization to contract the loan to finance it. Ghisi said that even if that authorization is approved the TCU could, if there are irregularities, "adopt the necessary corrective measures, and even cancel the contract." This, "without a doubt, is a guarantee for the Senate and Brazilian society," Ghisi concluded.

TCU Gives Senate Go-Ahead To Approve Sivam Funding

PY1801022696 Sao Paulo AGENCIA ESTADO in Portuguese 2106 GMT 17 Jan 96

[FBIS Translated Text] Brasilia, 17 Jan (AE) — The government today received the support of the National Accounting Office (TCU) to convince senators to approve the draft resolution authorizing the contracting of foreign credits for the Amazon Region Surveillance System (Sivam). TCU Minister Adhemar Ghisi said that the Senate can approve the draft resolution because senators will not have to answer for any irregularities in

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the project. "The Senate will not be approving eventual improprieties that have occurred or might occur in the contracts for which those resources are being approved," the minister said. "This, without a doubt, is a guarantee for the Senate and for Brazilian society." The TCU has the final responsibility for canceling the contract in case of irregularities, the minister said.

The importance of the TCU for the Senate approval of the loans to finance Sivam was evident today. President Fernando Henrique Cardoso, Aeronautics Minister Lelio Lobo, and Antonio Carlos Magalhaes (PFL-BA) [Liberal Front Party-Bahia), president of the Senate special committee to investigate the Sivam project, attended the ceremony marking the beginning of this year's TCU sessions. Adhemar Ghisi is the coordinator of the inquiry that investigated 18 Aeronautics Ministry irregularities in its relations with ESCA [Automation and Control Systems Engineering]. This company was scheduled to manage the installaion of Sivam, but was disqualified because it falsified social security registries.

Ghisi said that the auditing process to investigate reports of irregularities in the process to contract the company Raytheon, which will provide the equipment, will start this week. Ghisi added that the report saying that the TCU is conducting an investigation on Sivam that could give the Congress "sure information on the contract and the procedures used by the Aeronautics Ministry to contract Raytheon" is not correct. Ghisi explained that he sent the auditors to investigate those procedures only today. "The size of Sivam demands that we investigate all and any suspicions on the project," the minister said.

Ghisi did not want to say how long will the investigation last arguing that its duration will depend on "the availability of existing human and material resources." Court advisers admitted that the process could last up to 60 days. Ghisi admitted the possibility that the TCU might conduct an international evaluation to verify if the report that Raytheon prices are exaggerated is correct. "It is a challenge, but we can do it," he emphasized. The minister anticipated that all legal requirements for international contracts without a bidding have "apparently" been met.

Scientist Seeks Alternative for Sivam

PY1201003696 Sao Paulo FOLHA DE SAO PAULO in Portuguese 10 Jan 96 Section 1 p 3

[Article: "An Alternative for the Sivam" by Rogerio Cezar de Cerqueira Leite, physicist, professor of the Campinas University, and member of the FOLHA DE SAO PAULO editorial council]

[FBIS Translated Text] The inadequateness of the Brazilian ESCA [Automation and Control Systems Engineering] company and its connivance with the U.S. Raytheon company could be dangerous since it could become a scapegoat while the real culprit could escape unharmed, and worse yet, may end by winning.

Such is the intention of the negotiations behind the scenes in the Senate. Maintaining the same project, after having submitted it to an international bid, will perhaps satisfy the public, clean the image of Congress, and allow the president of the Republic to continue his subjection as he allows the Aeronautics Ministry to continue its survival project. Everything would continue unchanged.

If an American company wins the bid, the financier will be the U.S. Eximbank which will maintain its same demands, that is, the absolute exclusion of Brazilian engineering, with the exception of ESCA or its successor, as specified in the current contract with Raytheon. Other American companies will probably abstain from the project now they know of Raytheon's participation in the preparation of the project.

By mid-1993 — much earlier than when the selection process began — Raytheon invited nine Brazilian congressmen to explain the details of the project, even before the Brazilian National Engineering Unions were formally informed of the existence of the project, which took place on 16 June 1993. Raytheon's explanation was followed by the "selection" of ESCA (by mid-1994). No one doubts that Raytheon developed the basic concept of the Sivam [Amazon Region Surveillance System] project. It is therefore necessary not only to replace this project but also the basic concepts on which it is based.

Sivam includes four basic subsystems which could be assumed to correspond to four needs (to simplify the discussion).

The first and most obvious is to support and protect flights. A great critic of the project, Major Brigadier Aldo Vieira da Rosa, questions this need. He considers that the use of a GPS [expansion unknown] in each aircraft is enough. The cost of such equipment for the aircraft owner is estimated to be only $200. I would not be so optimistic.

Airports that operate in poor visibility conditions at night — where the information comes from independent operators (sometimes from the pilot himself), using non-controlled equipment, centering on an operational central that redistributes the information — are unreliable.

In this case a tower with its own radar is absolutely necessary. One of these systems already exists in Belem.

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For small planes that land at small airports VOR [Very-High-Frequency Omnidirectional Range] equipment is necessary. This equipment together with a GPS can provide an acceptable level of security. This installation could gradually incorporate meteorological radars which will gather information about rain on a real time basis.

All this will not cost more than $30 or $50 million, depending on the installation of one or more group of primary, secondary, and peripheral radars. Contrary to what Vieira da Rosa believes, it would not be necessary to create a Brazilian radar industry. It already exists. Brazil already produces and even exports to five countries, including the United States, VOR equipment, secondary and weather radars. Brazil only lacks primary radar.

The second and third subsystems relate to air and land surveillance for military and police purposes, respectively. The equipment proposed by Raytheon/ ESCA is, in the view of some representatives from the Aeronautics Ministry, inadequate. It consists of an array of static and mobile land-based air defense radar, 3D vehicle-mounted radar, and sideways-looking airborne radar. It is precisely by including this obsolete paraphernalia that the cost of Sivam soared.

The surveillance system is inefficient for police purposes because it does not detect low-flying aircraft. Militarywise, it is also ill-suited because it only detects planes or other flying objects after too long a delay — when they are already in our national airspace.

Not long ago, we were surprised at the information released by representatives from the Aeronautics Ministry, who reported that 817 clandestine flights over the Amazon region were detected in October, 400 of which were made by low-flying aircraft. Now, if we do not have our own surveillance system, how come the Aeronautics Ministry can discover and report the number of flights with such assurance? The only possible explanation is that it obtained the information from the United States through the OTH ("Over-the-Horizon") [preceding expansion given in English] radar system operated from a site in Puerto Rico.

The surveillance capability of that station system extends to Venezuela, Colombia, Ecuador, northern Peru, and three-quarters of the Brazilian Amazon region. One lone OTH radar system deployed in Brasilia would enable control of the entire Amazon region, Brazil's neighbors, and the southern Caribbean area. Nevertheless, Brazil is deprived of that technology by its supposed allies, namely the United States of America. Brazil's courageous authorities pliantly gave in and accepted the U.S. imposition of obsolete technology, which has long been discarded in American territory.

Concerned about the aggressive and populated Indonesia, Australia developed with the help of Marconi contractors from the United Kingdom an OTH backscatter radar which operates through ionospheric reflection or by hugging the water surface. Brazil does not need such a sophisticated system. It would be possible to develop a Brazilian OTH system with an investment of just over 500 million reals.

Sivam would also include an "electronic war" system, that is, an electronic system that will enable jamming illegal or enemy transmissions and protecting their own. This point has been crossed off the agenda of current negotiations. That technology is no big secret and can be developed in Brazil.

We can conclude that the basic concept underpinning the current Sivam project must be changed. Only by doing so will our country achieve a more efficient and cheaper system, using only part of the financial resources that will have to be earmarked for the repayment of the loan currently under discussion. Moreover, using state-of- the-art technology with support for Brazilian industry and engineering would constitute an additional benefit for us.

Venezuelan Government Apologizes for Border Incident

PY1201163196 Rio de Janeiro O GLOBO in Portuguese 11 Jan 96 p 9

[FBIS Translated Text] Brasilia — The Venezuelan Government yesterday presented formal apologies to Brazil for an incident on the border between the two countries. A Brazilian gold miner was killed in the incident which took place at the end of 1995, as reported by Ricardo Boechat in Swann's column yesterday. In an apology letter released yesterday, Venezuelan Foreign Minister Miguel Angel Rivas admits that a Venezuelan National Guard patrol was in Brazilian territory in Roraima when it engaged in a shootout with a group of gold miners. The Brazilian gold miner died during the shootout. The Venezuelan Government states in its letter that the National Guard patrol mistakenly entered Brazilian territory on account of the difficulty in establishing a precise borderline on the area.

Venezuelan Ambassador to Brazil Alfredo Toro Hardy yesterday told O GLOBO in Manaus that to clearly demonstrate that it regrets the episode, Venezuela was willing to send to Brasilia Deputy Foreign Minister Milos Alcalay with the purpose of personally presenting apologies to the Brazilian administration before Brazilian Foreign Minister Luiz Felipe Lampreia. According to Toro Hardy, the Brazilian Government considered Alcalay's visit unnecessary. The message with the apolo-

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gies as delivered to Brazilian Ambassador in Caracas Cl...oaldo Hugueney Filho.

"It would be a pity that such a regrettable incident should affect the atmosphere of partnership between the administrations of our two countries. Relations between Brazil and Venezuela are at its best historic moment and physical and trade integration between the two countries is as good as possible," Ambassador Toro Hardy said yesterday, as he guaranteed that the protest letter he received from the Brazilian Government is a standard procedure when an incident of that kind takes place.

"The letter of apology and the protest letter were both standard procedures. What is not normal is to offer to send the deputy foreign minister to put a full stop to the issue," the Venezuelan ambassador said.

According to Toro Hardy, an investigation was opened within the Venezuelan National Guard to find out who was responsible for the incident. Anyway, he added, the Venezuelan Government is aware that the mistake was caused by the difficulty in determining the borderline in the area and therefore the location of Venezuelan and Brazilian territory.

Toro Hardy recalled, for example, that years ago a Brazilian justice minister — he did not mention his name — was found in Venezuelan territory thinking that he was in Brazil.

"Petrobras [Brazilian Petroleum Corporation] and Petro Venezuela established a partnership to build a binational refinery in northeastern Brazil. The BR-174 road is being built between Manaus and Caracas. Partnerships in the field of electricity have been established. Our relations are very positive. Besides this, Venezuela and Brazil maintain close cooperation to prevent this kind of incident on the border," the ambassador said.

Argentine Steel Companies Denounce Brazil at WTO

PY1201162196 Sao Paulo GAZETA MERCANTIL in Portuguese 10 Jan 96 p A6

[Article by Silvio Ribas]

[FBIS Translated Text] Argentine iron and steel companies have reacted against the Brazilian policy to give incentives to auto makers. Argentina's Center for Iron and Steel Industrialists (CIS) has charged that Provisional Measure 1235 (14 December 1995) is incompatible with WTO legislation. Article 1 of the provisional measure proposes a "specific" subsidy for car makers, and authorizes a cut in the tax on basic raw material imports to 2 percent. Argentine steel companies fear they will be at a disadvantage to Mercosur [Common Market of the South] partners. Argentine companies prefer to supply raw materials to Brazil.

On 26 December 1995, the CIS center asked the Argentine Government to denounce the Brazilian Government decision at the WTO and to try to halt the implementation of the provisional measures. The CIS believes the new extension of Provisional Measures 1132 and 1165 could hurt the country's integration into Mercosur. The note signed by CIS President Javier Tizado states: "The measure contradicts one of the essential rules of the integration process, the stability of which is based in long-term industrial strategies."

In the note the steel companies state that the first item of the provisional measure is "categorically forbidden" under the Agreement on Subsidies and Compensatory Measures of the Uruguayan Round of the former GATT. The CIS says "the tax or fiscal bonus" granted by President Fernando Henrique Cardoso is really a subsidy. Any subsidy granted to a specific industrial group may be contested at the WTO and the CIS could ask for compensatory measures.

The protest note was sent to Industry Secretary Carlos Margarinos, Foreign Commerce Secretary Carlos Sanchez, International Relations Secretary Jorge Campbell, and Foreign Trade Under Secretary Alejandro Mayoral. CIS President Javier Tizado also told this daily saying that such incentives are "clearly incompatible with the international trade agreement" signed by Brazil in 1994.

Tizado, who is also vice president of Argentina Iron and Steel, Inc., (Sidecar), which is the largest company in the group in this country, believes Brazilian production and export incentives to local car companies will create grave distortions in Argentina. Among the condemned practices are the import of raw materials and machines with tax reduction of up to 90 percent for companies committed to fulfill certain export goals.

'Neoprotectionism' on Part of Industrialized Countries Seen

PY1101003196 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 9 Jan 96 p A3

[Article by unidentified reporter: "Neoprotectionism"]

[FBIS Translated Text] The WTO will try, in this fiscal year, to perfect the agreements of the Uruguay Round of GATT's talks signed in 1994. Two questions deserve Brazil's special attention — they have to do with the so-called ecological and social "dumping" [preceding word in English] practices. In fact, some industrial countries are furthering these practices in order to undermine the

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competition they face from developing countries in their markets.

In the case of ecological "dumping," let us recall that the relationship between trade and the environment was acknowledged at the Marrakesh Conference (1994). Indeed, owing to the lack of pollution control regulations, some countries are able to market their products at a cost lower than those prevailing in countries which are making an effort to preserve their environment. Brazil — which hosted the Eco-1992 [UN Conference on Environment and Development] — does not oppose the measures the WTO adopted to counter ecological "dumping." And yet, it deems that this instrument ought not to be used to embark on a neo-protectionist policy. Requirements, as far as environmental protection is concerned, must be clearly defined, since it is paramount not to allow importing countries to establish import regulations at their own discretion. Furthermore, let us recall that the agreements of the Uruguay Round of GATT's talks allowed the granting of subsidies so that exporting countries could help producers to respect the ecological balance. What is intolerable, for example, is the attitude of a country like the United States with regard to specifications for imported gasoline, which are much stricter than those imposed on U.S. refineries.

Notwithstanding the fact that Brazil intends to cooperate for the implementation of a conservation policy with a view to awaking the interest of the producing country in the first place, our country seems to be adopting a more hesitant stance vis-a-vis the offensive launched by Washington and Paris to introduce regulations geared to combating the so-called "dumping." According to some members of the WTO, this type of "dumping" would occur when a country sells its products at much lower prices due to the fact that it has scantifully meager wages and lack of social protection for the laboring classes.

In fact, there should be a more explicit definition of social "dumping." The scant wages seen in emerging countries are generally the consequence of workers' low productivity. This is why social "dumping" must be assessed in terms of the cost of a basket of staples. Surely, in a country like the PRC, in which numerous political prisoners work without receiving remuneration, there is indeed social "dumping" that must be offset by levying higher import tariffs. Nevertheless, it is also quite fitting to denounce the fact that rich countries also further "dumping" practices when they grant subsidies to their agricultural products to survive international competition. In the case of the EU, it is estimated that $15,400 is spent annually on agricultural subsidies to each producer. Brazil cannot acquiesce in the fact that, under the pretext of defending human rights, rich countries pursue a protectionist policy that is, from a social point of view, much more pernicious than the one shaped by low wages.

President Cardoso Addresses Unemployment Issue

PY1001191296 Sao Paulo AGENCIA ESTADO in Portuguese 2239 GMT 9 Jan 96

[By Isabel Braga and Sandra Sato]

[FBIS Translated Text] Brasilia, 9 Jan (AE) — President Fernando Henrique Cardoso today tried to downplay the figures released by the Sao Paulo State Federation of Industries (FIESP) which revealed an increase in unemployment last year. The president denied that unemployment in Brazil should be increasing in general, despite acknowledging the increase in unemployment in the industrial sector. The president said that in 1995 Brazil registered the smallest unemployment rate registered ever: 4.68 percent, according to the figures of the IBGE [Brazilian Geography and Statistics Institute], which are practically the same as those of the Dieese [Interunion Department for Statistics and Socioeconomic Studies].

"To tell the truth, it is the employment structure that is changing," said Cardoso as he added that he spent the weekend studying unemployment figures. He acknowledged that the job offer has dropped in the industrial sector, but in compensation, he said, it has increased in the field of services; a trend has maintained the overall employment rate stable. According to the president, the unemployment rate in Brazil is one of the most moderate in the world, and there are countries, he said, with unemployment rates double or triple Brazil's.

Cardoso said that the impression of the increase in unemployment in Brazil is justified by the fact that those who lose their jobs in the industrial sector cannot immediately obtain jobs in the services sector. "That is no solace for those who lost their jobs," he admitted. The president added that the federal administration is concerned about this labor restructuring in the market and that it will invest in training workers. This program which last year benefited 250,000 workers will be extended to 1 million workers. The federal administration plans to sign agreements with the states.

Minister Motta Authorized To Defend Presidential Reelection

PY1001175596 Sao Paulo AGENCIA ESTADO in Portuguese 2238 GMT 9 Jan 96

[By Isabel Braga]

[FBIS Translated Text] Brasilia, 9 Jan (AE) — Planalto Palace today authorized Communications Minister Ser-

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gio Motta to defend the presidential reelection. Presidential spokesman Sergio Amaral said that the administration has ministers who are also politicians and "who have the right to express their views." According to Amaral, President Fernando Henrique Cardoso reserves the right to not comment on the subject.

"The position of the president is known and he will not speak about the subject," Amaral said. "This is a matter of the national Congress." The presidential spokesman argued that Minister Motta made the statements in favor of the reelection as "a citizen and representative of a political party."

According to Amaral, it is not unethical for a president to defend his reelection. "There is no offense to ethics or morality if a president wants to defend his reelection. President Cardoso simply does not want to speak on the matter." Amaral said that the administration does not work either in favor or against the amendment. "That is a matter for the politicians, and some ministers are also politicians."

Report Views Senate President Sarney's Opposition Role

PY0901204096 Sao Paulo GAZETA MERCANTIL in Portuguese 8 Jan 96 pp A1, A7

[Report by Eliane Castanhede]

[FBIS Translated Excerpt] In light of the lack of strong, united leftist parties, the main opposition leader has been, in practice, one of the government's more illustrious allies: Senate President Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa], who will, as of 8 January, preside over the work by Congress during the special period of sessions. Sarney has been one of the more caustic critics of the main item on the agenda: the constitutional reforms.

With a divided PT [Workers Party], whose bloc is not large enough to jeopardize government projects, it is Sarney who has criticized the extension of the Fiscal Stabilization Fund (FEF), formerly known as Social Emergency Fund, and the tax, social security, and administrative reforms. He has also openly said that he prefers a five-year presidential term rather than the reelection of President Fernando Henrique Cardoso.

"An opposition leader? Me? God forbid," Sarney said during a long conversation with this newspaper. "I just do not agree to playing a subordinate role, because I have already been president, and I now preside over one of the branches of government. Furthermore, I am no longer at an age at which I should refrain from saying what I think," said the veteran political leader, who belongs to the PMDB but who has a good number of allies within the PFL [Liberal Front Party], including his children: Roseana, the governor of Maranhao, and Federal Deputy Zequinha. [passage omitted]

Government Allies in Congress Criticize Ministers

PY1201230196 Rio de Janeiro JORNAL DO BRASIL in Portuguese 11 Jan 96 p 3

[Article by Ilimar Franco and Carmen Kozak]

[FBIS Translated Text] Brasilia — The political crisis that is affecting the government support base in Congress yesterday experienced one of its worst days, threatening the success of the special congressional term. The PFL [Liberal Front Party] attacked the PSDB [Brazilian Social Democracy Party]; the PSDB members complained that the government is not listening to them; and everyone complained about President Cardoso. Deputy Osorio Adriano (PFL-DF) [Federal District] went as far as saying that the president is not exercising his leadership within the PSDB. PFL leader Deputy Inocencio de Oliveira said that the party is giving a lot, but is not receiving anything in exchange. "I will not help anymore as long as the PFL is not treated with the respect it deserves," he threatened. Amid this crossfire, the president ordered his ministers to react, and he scolded Agriculture Minister Andrade Vieira for having criticized the government economic policy.

The criticisms raised by congressional government bloc leaders of the political performance of the ministers was the starting point of the fight within the government congressional support base. The PFL deputies, who gathered to reelect Inocencio as their leader in the Chamber of Deputies, complained about the lack of attention accorded to them by the executive branch. "The ministers do not understand the role of the legislative branch," said Deputy Manoel Castro (PFL-BA) [Bahia].

The dissatisfaction reached the PSDB, the president's own party. During a meeting held on the evening of 9 January, PSDB senators criticized the estrangement between the administration and the PSDB. "The government is very concentrated in the hands of a given group," said Senator Osmar Dias (PR) [Parana]. The president reacted. Through his spokesman Sergio Amaral, Cardoso said that he welcomes the allied political parties wish to participate in the discussions over the reforms. However, he said he will not accept pressures for political posts: "The president did not receive and does not accept this kind of pressure," Amaral said.

The political temperature is rising following the remarks of the agriculture minister, who criticized the economic team on account of the high interest rates. Congress

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reacted: "Jose Eduardo [Andrade Vieira] is a minister, and he cannot criticize the economic policy. He is a banker, but he should place the national interests above personal interests," warned Elcio Alvares (PFL-ES) [Espirito Santo], government leader in the Senate. "He is crazy," said Deputy Luiz Carlos Santos (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul], government leader in the lower house.

Meanwhile, even as they defended the economic team, the allied politicians criticized the ministers of the economic field for their slowness in disbursing budget resources. "The ministers do not help because they do not give the congressmen the appropriate political treatment. We do not take our personal problems to the administration, but the people's demands. The government asks for support for the reforms, but it does not give anything in exchange, and this contributes to our estrangement," said Deputy Henrique Eduardo Alves (PMDB-RN) [Rio Grande do Norte].

The lack of attention to the congressmen can complicate the life of the administration during the voting sessions on the social security and administrative reforms. The government has time and again contended that the reforms are necessary to modernize the state, but the congressmen refuse to pay the political cost of these reforms without compensation. "During the first year of the administration, the reforms were approved enthusiastically, but now there is no more enthusiasm. We cannot go on like this," said Manoel Castro. Because the federal budget has been streamlined, government supporters in Congress are aware that the administration does not have any elbow room to meet requests for funds, but they claim they should at least be properly treated. Deputy Paulo Bornhausen (PFL-SC) [Santa Catarina] recommended that government officials accord "80 percent love and 20 percent care" to congressmen.

A greater role by cabinet ministers in consolidating the executive-legislature partnership was one topic of discussion at a lunch yesterday between Communications Minister Sergio Motta; PSDB President Artur da Tavola (RJ) [Rio de Janeiro]; Deputy Jose Anibal (SP) [Sao Paulo], PSDB leader in the Chamber of Deputies; and Senator Sergio Machado (CE) [Ceara], PSDB leader in the Senate. Deputy Artur Virgilio (AM) [Amazonas], PSDB deputy leader in the Chamber of Deputies, said: "Ministers will be urged to engage in battle. They should not let an issue falling within their respective jurisdiction bounce into the president's court. The president of the Republic will no longer jump in to take the rap for his ministers."

PSDB leaders want cabinet ministers to become more politicized and to stand up for the defense of the administration's policy and of its reform proposals. They claim that cabinet ministers should be more responsive and not be afraid to say yes when a request will not jeopardize the overall policy. The prodding the PSDB leaders and the president intend to inflict on the cabinet will not take place immediately. Ney Lopes said: "Ministers are afraid of engaging in politics." He believes the ministers are not forthcoming because they are afraid they might be accused of putting the ministry at the service of vested interests.

Union Leader Optimistic on Social Security Reform

PY1101135196 Rio de Janeiro Rede Globo Television in Portuguese 0900 GMT 11 Jan 96

[Interview with Union Power President Luiz Antonio de Medeiros by correspondents Luiz Carlos Braga and Luciane Barcellar in Brasilia; from the "Good Morning, Brazil" newscast — live]

[FBIS Translated Text] [Braga] The presidents of the principal labor unions will meet with the social security and labor ministers in Brasilia today to discuss the social security reform, a subject that has placed the government and the workers on opposite fields. The government, however, has given signals that it is open to negotiate, according to Union Power [Forca Sindical] President Luiz Antonio de Medeiros, who is here with us in the studio.

Good morning, are you optimistic over this meeting?

[Medeiros] I am optimistic because the government has demonstrated its willingness to negotiate. The social security and labor ministers went to Sao Paulo to talk with the main union leaders. Therefore, I expect that good sense will prevail. The social security system must be reformed, evidently not exactly as the governments wants it, but it needs to be reformed.

[Barcellar] What is it that the labor unions will not accept to negotiate at all?

[Medeiros] We will not negotiate the retirement system based on years of service. This is sacred for us. Of course there are special cases, like miners or primary school teachers. These cases do not affect the social security system. What affects the system are privileged retirement pensions. Let me explain this to you so that you can have an idea.

The pensions of 90 percent of the retired workers from the public social security system represent $35 billion. You must know that the remaining 10 percent of the retired workers take another $35 billion. This means

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that 10 percent of the retired workers take 50 percent of the social security funds. There are pensioners who are earning pensions of 10,000, 15,000, 30,000 reals [R]. Therefore, this is what must be decidedly combated and the labor unions will support the president on this point if he decides to really combat privileges within the social security system.

[Barcellar] As for the proposal of retirement according to age, the administration has a proposal to gradually raise the minimum age level until 2002.

[Medeiros] If that were the problem we would discuss it, but that is not the problem. The problem is that some workers retire with a pension equivalent to 100 percent of the last salary they earned on active duty. If a worker's last salary was R13,000, he will retire with a R13,000 monthly pension. That is the real problem. Meanwhile, other workers like street cleaners, common clerks, or any one of us, must retire with a pension equivalent to the average salary we earned in our last 36 months of work. This means our pensions are reduced considerably. The privileged ones retire with a high pension. In Brazil the poor are financing the retirement of the rich. This must end.

[Braga] Union Power and CUT [Sole Workers Center] have always represented the workers in opposite fields. However, this time you seem to stand together on the social security reform issue. Will you always unite every time it is in favor of the workers' interest?

[Medeiros] Of course, every time it is in favor of the workers' interest we will be together. In other aspects, however, we do not agree. For example, the CUT totally opposes privatization of public companies while we are in favor of some privatizations. Therefore our ideals are different. However, in a case like the social security reform we must be together. There is no doubt about this. Retirement based on years of service is a sacred right.

Now I believe we will reach an agreement. First, because the ministers came to us. Second, because the president himself has given a signal...

[Braga, interrupting] There is no need for a general strike, for instance?

[Medeiros] No, not at all. Strike? Why strike if we are negotiating? Why strike if the government is open to dialogue? Why strike if the social security reform bill rapporteur in Congress is willing to negotiate? A strike will harm us. Sometimes strikes harm workers instead of helping them, as it has happened a few times in the past. Our great weapon in this case is negotiation, pressure, and talk with the congressmen. We must demonstrate to them that 1996 is a year of elections. If they vote against us, the workers interests, without doubt we will denounce their attitude. That is our weapon.

[Braga] Mr. Medeiros, thank-you for your presence here. Good morning.

[Medeiros] Good morning.

[Braga] I must add here that CUT President Vicente Paulo da Silva, Vicentinho, has admitted that he will suspend the summons to a general strike scheduled for 30 January if the government is really willing to negotiate with the workers. In Vicentinho's opinion, such a case has really not taken place.

Maciel: Social Security Reform Debate To End by 14 Feb

PY1201131296 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 12 Jan 96

[FBIS Translated Text] Vice President Marco Maciel said in Rio de Janeiro yesterday that the first stage of congressional discussions on the social security reform and other constitutional amendments will conclude by 14 February. He asserted that the special congressional term will allow the approval of several bills that are important for the administration.

[Begin Maciel recording] It is good to recall that this is an election year. Municipal elections will be held. We will have to make a great effort in the first half of the year. That is why the president has appropriately decided to anticipate the beginning of the legislative year. Such is the meaning of the special congressional term. [end recording]

Vice President Marco Maciel denied any confrontation between the executive and legislative branches.

Government Reaches Agreement With Union Leaders

PY1501235296 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 15 Jan 96

[Report by Flavio Figueiredo from the Social Security Ministry]

[FBIS Translated Text] The administration and labor union leaders have reached an agreement on the social security reform. A retirement system based on years of contribution, in which men must contribute 35 years and women 30 years, will prevail. The agreement was reached this afternoon following four hours of negotiations among union leaders and the Labor and Social Security ministers.

Social Security Minister Reinhold Stephanes explained the main changes to the social security system.

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[Begin recording] [Stephanes] The principal points that were modified are: Maintenance of a minimum age for retirement, and minimum amount of years of contribution to the system. This means that, for instance, a man who contributes to the system for 35 years will not have to reach a minimum age to retire. That is, if he started to work at 20 and he contributed for 35 years, he does not need to wait until turning 60 to retire.

The second point is the retirement of primary and high school teachers. They will continue benefiting from the current special retirement system for five more years when Congress will then reconsider whether this system will be maintained for them or not.

The third point is that practically the same retirement conditions will be maintained for rural workers.

[Unidentified reporter] Will the Social Security Ministry assume the responsibility of the retirement pension of a worker in cases in which the company he worked for failed to transfer his contribution to the social retirement system, based on the evidence of his working document [carteira de trabalho]?

[Stephanes] We must clearly establish that given the control system we are implementing, in one or two years we will be able to know all Brazilian workers, we will know where they work, independently from whether the company they work for informs us or not. That is, we will follow up the life of our worker. This is a basic point. We will therefore immediately learn of any company that fails to contribute to the system, and we will take its name to the media. This means that the administration is responsible for making a company contribute to the social security system for its workers. [end recording]

The Social Security minister added that according to the agreement reached today, in the case of proportional retirement system, the 60-year age limit will be established. This means that if a worker turns 60 and did not contribute 35 years, he can retire anyway with a pension proportional to the years he contributed.

Excel Bank Announces Purchase of Economico Bank

PY0601005196 Sao Paulo AGENCIA ESTADO in Portuguese 2159 GMT 5 Jan 96

[By Soraya de Alencar]

[FBIS Translated Text] Brasilia, 5 Jan (AE) — Central Bank President Gustavo Loyola this afternoon announced a deal by which the Excel Bank assumes all the internal and external banking operations of the Economico Bank. Excel is assuming the liabilities of the Economico Bank with its clients, which amount to 2 billion reals [R] and an identical sum of assets. In order to reopen the bank, which could take place in 60 days, Excel will put up something between R300 and R350 million from its own pocket. "There will be no subsidized credit," said Loyola.

The agreement was greeted by the Bahia politicians who had launched a real offensive against the Central Bank since it placed the Economico Bank under trusteeship last August. Bahia Governor Paulo Souto said he hopes the Economico Bank branches will reopen soon and that the resumption of operations will return a considerable amount of money to the state economy. "Bahia State has been waiting for a long time for the reopening of the Economico Bank," he said. "It is important for the Bahia economy, although it arrived somewhat late," Paulo Souto said.

By virtue of the agreement signed today, the Central Bank will stay with the worst part of the Economico Bank. That is, the main debts, including the R3.6 billion in financial aid the Central Bank gave it before the Economico was placed under trusteeship. The "old Economico," as Loyola referred to the bank, still has shares, government credits, and permanent assets, like real estate. The idea is to realize all its assets, Loyola said, that is, to sell them to pay its debts.

If the sale of its assets does not pay for the debts, Loyola said he will seek the assets of the Economico Bank controllers. When asked if the main target will be Angelo Calmon de Sa, Loyola answered without hesitation, yes. Of the R3.6 billion that the Economico Bank owes the Central Bank, the Economico Bank only presented guarantees for R1.9 billion. The R1.7 billion difference is still uncovered, Loyola admitted.

The Central Bank president explained that contrary to the case of the Banco Nacional and Unibanco, the transference of the Economico Bank to Excel did not involve any payment. "This is different. The Economico Bank is closed," Loyola said as he recalled that the Banco Nacional never stopped its activities. Loyola nonetheless admitted that the Central Bank can help Excel if the new Economico Bank has liquidity problems. He nonetheless pointed out that contrary to the Proer (Program to Encourage the Reorganization and Strengthening of the National Financial System), which grants subsidized loans, any help to the Excel will be granted at market interest rates.

Loyola said that besides retaining the Economico trademark, Excel will also retain all its branches and employees. Among the foreign obligations that the Excel is assuming and which amount to approximately R400 million, $66 million belong to the Central Bank reserves which are frozen in the Economico Bank branch in New

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York. The bank's internal obligations amount to approximately R1.5 billion.

Central Bank, Sao Paulo Deal on Banespa Outlined

PY1201024796 Sao Paulo AGENCIA ESTADO in Portuguese 2149 GMT 11 Jan 96

[By Beatriz Abreu and Lu Aiko]

[FBIS Translated Text] Brasilia, 11 Jan (AE) — An agreement will be signed on 12 January to refinance, through a complex financial operation, a 15 billion real [R] debt by the Sao Paulo State administration to the Sao Paulo State Bank, Banespa. Finance Minister Pedro Malan today outlined the "content of the agreement," which envisages payment of half of the state debt over a 30-year period bearing favorable interest rates on the international market; that is, a 6-percent annual interest rate. The other half of the debt will be paid through the sale, over an as yet undetermined period of time, of assets belonging to the state of Sao Paulo, such as the airports of Congonhas, Viracopos, and part of Cumbica; the Sao Paulo Railroad, Inc.[Fepasa]; and 15 percent of Banespa shares.

The renegotiation of the debt will bring financial relief to Banespa, which will immediately receive R3.6 billion. This money will be supplied by the National Bank for Economic and Social Development-Shares [BNDES-Par] as an advance of revenues to be obtained through the sale of Fepasa.

The agreement, which is scheduled to be signed on 12 January by Sao Paulo Governor Mario Covas and Central Bank [BC] President Mario Covas, will not conclude the negotiations. The BC will continue to keep Banespa under a Temporary Special Administration Regime (Raet) until Banespa is able to resume normal operations on the market without requiring the BC's financial aid. The possibility for the appointment of economist Adroaldo Moura e Silva as new president of Banespa, if Governor Covas concurs, has not been ruled out.

Covas agreed to the creation of a committee — which will consist of representatives of the Finance Ministry, the BC, the Sao Paulo administration, and Banespa itself — designed to propose a complete reformulation of the bank. Changes will be introduced into Banespa's bylaws in order to cut costs, and the dismissal of employees is not out of the question.

Although the refinancing terms of the agreement are favorable to the Sao Paulo administration, Jose Roberto Mendonca de Barros, secretary for economic policy at the Finance Ministry, has contended that this is not "a paternal agreement." Finance Minister Malan emphasized the idea that the negotiations "have changed the status" of the state debt to the bank, because payments will now be guaranteed.

Malan and Mendonca de Barros emphasized the fact that this is no longer a debt that will "continue to grow every month." Mendonca added: "One must look at this operation from a comprehensive viewpoint. It represents an enormous fiscal effort by the Sao Paulo administation in cooperation with the federal administration." He added: "It is not an operation that will spare the debtor from making any effort."

In practice, despite the fact that the details of the operation have not yet been negotiated, Governor Covas will have to make a monthly estimated payment of nearly R70 million, of which R30 million will cover Banespa's labor debts the state government will assume, and the remaining R40 million will cover the costs of refinancing the debt.

The solution found to the Sao Paulo State debt to Banespa was described by Mendonca de Barros as "the most complex operation I have ever seen in my life," but it will make it possible for the bank to survive. If it were up to the BC, Banespa would have been simply privatized. During a news conference held today, Alkimar Moura, BC director for monetary policy, admitted that Banespa "is an expensive, heavy, costly bank" and that any adjustments to the bank will entail cutting costs. He declined, however, to reinforce the idea that Banespa should be privatized. "That is a problem that should be decided by the controlling stockholder." Mendonca de Barros also endorsed this view.

Embratel Signs Contract To Finance Fiber Optics Cables

PY0801175696 Sao Paulo GAZETA MERCANTIL in Portuguese 5 Jan 96 p C5

[Article by Luis Indriunas]

[FBIS Translated Text] The Brazilian Telecommunications Company (Embratel) announced today the signing of the first contract to finance the installation of fiber optics cable of the Rio de Janeiro/Fortaleza Optic System. N.V. Nisshio Iwai, the sixth largest Japanese trading company will provide $20.4 million in financing for the importation of cables from Pirelli Cavi, Italy, which will be used for the undersea stretch between Rio de Janeiro and Sao Mateus (Espirito Santo).

The financing term is eight years and five months with three years of grace. The cost of the operation is 10.4 percent per annum, or 500 basic points on U.S. Treasury Notes. The operation is backed by Embratel-issued promissory notes.

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In all, Embratel will invest $105 million in a project to link submarine and terrestrial cables between Rio de Janeiro and Fortaleza. Once finished, the fiber optics system will be used with three international systems: Americas 1 —which connects Fortaleza, St. Thomas and Florida; Columbus 2 — which connects St. Thomas, the Canary Islands, Madeira, and Palermo; and Unsifur — which connects Florianopolis, Montevideo, and Buenos Aires.

Benedito Carlos Macieira, Telecommunications Project Implementation manager of the Schahin Cury Engineering which administers the project, said the stretch between Rio de Janeiro and Sao Mateus will be finished by early October this year. He said: "The 800 km of cables will arrive from Italy by the end of January and be laid under the sea." Schahin Cury has already installed 470 km of terrestrial fiber optics cables between Rio de Janeiro and Belo Horizonte.

Motta Fears 'Private Monopoly' in Telecommunications

PY0901021896 Sao Paulo AGENCIA ESTADO in Portuguese 2051 GMT 8 Jan 96

[By Raul Pilati]

[FBIS Translated Text] Brasilia, 8 Jan (AE) — Communications Minister Sergio Motta today said that the administration is designing a model to implement a gradual transition of telecommunication services from the public sector to the private sector. According to Motta, before starting the privatization of the state-owned companies known as "teles," the administration will allow the participation of private companies in the telecommunications sector through a system of direct competition in supplying conventional services among state-owned companies and private companies. Motta said: "We are afraid of going from a state monopoly to a private monopoly."

In accordance with studies conducted by the Communications Ministry, the 27 companies linked to the Telebras [Brazilian Telecommunications, Inc.] system, which are currently performing telecommunications services in the various states, will be grouped in five or six regional blocs, and bidding tenders will be organized to allow private companies to compete in each region. Only during a second stage will the state-owned companies be transferred to the private sector. Although this model has not yet been defined, Motta cited other countries where it is being used; namely, Australia. Despite his having spoken of groups of seven and 12, the minister said that the most likely number of blocs would be 10.

Motta said: "We are dividing the process into two stages, leaving the most complex stage; that is, the sale of the 'teles,' for later. First, there was the opening to enterpreneurs of the b band for cellular phones, access to satellite and data transmission, and corporate networks. A task force has been created at the Communications Ministry to study the issue, counting on the support of advisers of the International Telecommunciations Organization (ITO) [as received] and of U.S. specialists.

The experts are not planning to merge the state-owned companies because there are various legal hurdles to this, but rather to create new holdings to group these state-owned companies in blocs. These holdings would continue to be subordinated to Telebras. Motta already baptized the new units as "babybras," paraphrasing the U.S. companies known as "babybells."

Among the points under discussion is the removal of several legal restrictions to make the state-owned companies more effective so that they can compete with private companies. Motta said: "It would be something similar to what (Mines and Energy Minister Raimundo) Brito did with Petrobras [Brazilian Petroleum Corporation]." Brito proposed rules to implement the breaking of the Petrobras oil monopoly by giving Petrobras greater administrative freedom, such as freedom to make purchases without going through a bidding tender, to set salaries, and to form associations with third parties.

Company To Participate in Cellular Phone Market

PY0901165296 Sao Paulo GAZETA MERCANTIL in Portuguese 5 Jan 96 p C5

[Article by Heloisa Magalhaes]

[FBIS Translated Text] Rio de Janeiro — A new telecommunications services company is under formation. It is being born with ambitious plans, which is what is expected given the size of its partners. The company, which is yet unnamed, will begin activities in June 1996. In the first stage, it foresees investments amounting to $2.5 billion for cellular telephone services.

Executives from the new company do not conceal the possibility that with the opening of the sector the company may become a conventional telephone operator. However, in the short term it has reserved $1 billion to invest in only one project, in case it wins a public bid for the provision of cellular telephone services in Sao Paulo in the so-called B-band frequency, competing with the public cellular telephone service an with other national private groups interested in providing the same service.

The new company is a "joint venture" [two preceding words in English] with 40 percent capital controlled by

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the U.S. giant AT&T; the remaining 60 percent is divided among Globopar, company that belongs to the Roberto Marinho family, with 60 percent, and Bradesco [Brazilian Discount Bank] with 40 percent. The executive committee of the company, which was made up in December, is made up of Mauro Molchansky, executive director of Globopar, Patrick Leach, vice president of AT&T cellular telephone company, and Armando Trivelato, Bradesco director.

The three executives have been holding long meetings in the headquarters of the Marinho companies in Leblon, Rio de Janeiro, monitoring the activities of the working groups that are preparing the technical, financial, and legal analysis proposals for the bids for the installation of private cellular telephone services not only in Sao Paulo but also in other areas of Brazil, like Rio de Janeiro, among other target regions.

The committee is actively working to organize the operation in an area in which there is no private experience in Brazil and where AT&T acts as an essential partner in the organization of the engineering departments of the new company. According to Molchansky, Morgan Stanley is at the head of the financial consulting sector. The three partners will contribute to the marketing department, which is under formation.

He says that the greatest challenge is to define an efficient operation capable of being implemented in the short term. The group is working with the expectation that in March Congress will approve the executive branch-designed draft bill opening the cellular telephone services to private companies. It is expected that the Communications Ministry will publish the bid call giving 60 or 90 days to present the offers.

"We believe that, at the most, by the second half of the year the proposals to install the service will be ready and very well prepared. We are working to win, and furthermore, we are offering excellent quality services. We are studying the industry's supply capability to know about the availability of the equipment we will need. Our proposal is to immediately enter this sector with a quality project, offering digital systems, which are more modern and which offer greater quality than the analog ones that are currently operating in the market. We will try to build the whole infrastructure of radio bases, towers, and antennas quickly. We cannot create any frustration," said Joao Santelli Jr., director of Victori International, company that belongs to Globo Organizations, which is also part of the group.

In case it wins the bid, the new company wants to be prepared by 1997-1998 to offer the service in a framework much different than the current cellular telephone system. The strategy is to have lines available to immediately attend to the clients who have been waiting for a long time for the service as well as the natural demand. In order to study the market, the work group is using a $100,000 software with a social-financial data bank that, based on information on the main Brazilian cities, defines the potential of each region.

Cellular Telephone Bid Call Prompts Companies To Organize

PY1001212196 Sao Paulo AGENCIA ESTADO in Portuguese 1631 GMT 9 Jan 96

[Report by Milton F. da Rocha Filho; unexpanded acronyms unknown]

[FBIS Translated Text] Sao Paulo, 9 Jan (AE) — The battle over the $5 billion private cellular telephone service market in Brazil, the so-called B-band, is off to a flying start. Behind the scenes there is a brawl over the formation of consortiums that will include new companies like the Vicunha Group which, according to its president Jacks Rabinovitch, is analyzing its participation in the bids through one of the groups.

Other companies are also analyzing their participation, some of them are even looking for operators to participate in the bid as well as equipment suppliers. Ericsson Vice President Nilson Xavier Soares said his company will not participate in any consortium and that it is willing to supply equipment to anyone. He said: "Our business is to produce equipment. We will stay there."

The consortiums expect the first bids for the B-band will be published in the first quarter of the year. At least 13 companies have grouped under consortiums. One thing is certain, the winner must offer a digital system compatible with the analogical cellular system already operating in the country. In sum, the winner must provide a dual system that can handle digital and analogical systems.

The businessmen who are considering participation recall that Telebras did not use even a third of the $4 billion it budgeted for 1995 and that this fact must be considered as an additional event in the investments plans for 1996 which amount to $5 billion. One businessmen said the country has resources like never before for the telephone sector.

Odebrecht has confirmed its participation in the bid for the B-band, but will change the name of the company that will participate in this bid as it is associated with Unibanco. It is also looking for an operator. The STL name, which once belonged to CMW, also used to belong to Odebrecht, but it has been sold. Since AT&T associated with the Globo/Bradesco [Brazilian Discount

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Bank] group, Itatel — which belongs to businessman Olacyr de Moraes' Itamarati Group — is also looking for an operator.

The word in the market is that several companies like Inepar of Parana, the U.S. GTE company, Incobrasa from Rio Grande do Sul, France Telecom, Sercomtel, and the Telia/MCI/Eriline/Sent groups are analyzing the formation of consortiums to participate in the B-band bid.

Preliminary List of Consortiums for B-band — January 1996

- AT&T Wireless/Globopar/Bradesco
- Bell South/Safra/OESP/RBS
- Metodo/CCI
- CTBC/New Zealand Telecom/TeleGlobe/Karimatzu
- USWest/AG Telecom
- Odebrecht/Unibanco
- Monteiro Aranha/South Western Bell
- Itatel/Splice
- Grupo Rural/Milicom/Engecamp/Telemon
- Stet/WTL Source: empresas/mercado

Roundup of Economic Reports Through 9 Jan

PY1001002596

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 9 January.

BASIC LEADING INDICATORS

FIESP Conducts Survey on Unemployment — A survey conducted among 427 businessmen by the Sao Paulo State Federation of Industries, FIESP, shows that 64 percent of those polled said the dismissal of workers was provoked by a sluggish market, 17 percent said dismissals were provoked by turning to other companies for supplies rather than manufacturing them themselves, and 23 percent said unemployment stemmed from the acquisition of new technology. The survey shows 1996 will not be a good year for jobs: 53 percent of those surveyed said they planned to increase productivity without creating new jobs. Just 12 percent of those surveyed said they planned to dismiss more workers to increase productivity. (Sao Paulo AGENCIA ESTADO in Portuguese 2320 GMT 8 Jan 96)

Industrial Employment Declines in 1995 — A survey released today by FIESP's Survey Department shows that the Sao Paulo industrial employment level declined by 7.68 percent in 1995 compared with that of 1994. A total of 179,874 workers were dismissed in 1995; 10 times more than in 1994 when 17,275 workers were dismissed. This is partly blamed on the economic adjustment imposed by the Brazilian administration during the first half of 1995 to slow down economic activities and thus preserve the economic stabilization plan. The policy of keeping the real exchange rate overvalued also adversely effected industrial exports. In 1995, unemployment had a greater impact on the metalworking sector, as well as on the shoe and textile industries. Of the 46 associations of employers surveyed by FIESP, 36 revealed they had dismissed more workers than they hired in 1995. Only eight industrial sectors reported an increase in their employment level. They are manufacturers of beverages, cocoa products, chewing gum, uncooked cereal foods, pharmaceutical products, graphics, furniture, glass, crystal, and frozen food. (Sao Paulo AGENCIA ESTADO in Portuguese 2142 GMT 8 Jan 96)

Industrial Activity Increases in 1995 — Roberto Faldini, deputy director of FIESP's Economic Department, said today that economic activity grew between 3.5 and 4 percent in 1995 compared with 1994. This positive growth rate has not been translated into tangible profits for Brazilian companies. In light of efforts to promote sales, balance sheets of some corporations will show losses rather than benefits as of March 1996. A FIESP survey shows industrial activity in November grew by 2.6 percent compared with October, and that sales were 9.5 higher in November than in October. The Activity Level Index (INA) indicates an 11 percent drop in November 1995 compared to November 1994. Sales in November 1995 were 4.5 percent lower than November 1994 and 14 percent lower than March 1995. The November 1995 INA index was 17 percent lower than in March 1995. Sao Paulo industrial companies worked at 76.5 percent of their production capacity in November — 1.7 percent less than in October. (Sao Paulo AGENCIA ESTADO in Portuguese 2219 GMT 8 Jan 96)

FINANCIAL OPERATIONS

Bahia Refinery Enlarged — Orlando Galvao, Brazilian Petroleum Corporation, Petrobras, financial director, reports that Petrobras will build a new light oil refining unit at Mataripe Refinery in Bahia State. Galvao said a $320 million loan will come from a group of Japanese companies. He said the bid to select the company to build the unit will start this month. The new unit will process 10,000 cubic meters per day of gas oil into gasoline and cooking gas. When the new unit is complete in 1998, it is expected to process 5.4 million liters of gasoline and 1,480 tonnes of gas daily. The

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Mataripe Refinery will thus produce 7.6 million liters of gasoline and 2,000 tonnes of gas daily. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jan 96 p B10)

Fixed Earning Funds Yield High Profit — The Economic Research Institute Foundation, FIPE, has reported that inflation in 1995 stood at 23 percent. Despite the low inflation rate, some fixed earning funds yielded up to 45 percent in annual interest and were the best investments in 1995. They yielded well because high interest rates are being used to keep inflation under control. Using high interest rates, Brazilians were encouraged to save. Fixed earning funds consist primarily of government bonds. (Sao Paulo VEJA in Portuguese 3 Jan 96 pp 83-83)

Eletrobras Investments in 1996 — The Brazilian Electric Power Company, Inc., Eletrobras, has earmarked 1.7 billion reals, R, for investments in 1996, compared to R1 billion in 1995. Eletrobras President Antonio Imbassahy said the 1995 investment figure was the lowest in the company's history. This stems from a lack of funds in the energy sector and from the participation of the private sector in energy projects, primarily through partnerships. On 5 January, Eletrobras obtained a R33 million loan from the Bank for Economic and Social Development, BNDES, to purchase equipment for the Xingo hydroelectric project on the border between Alagoas and Sergipe and which is a priority project for Eletrobras. Of this R1.7 billion, R200 million will go on the Xingo project; R460 million on the Angra-2 nuclear plant project; and R600 million on the Corumba hydroelectric project. Eletrobras' investments in southern states will total R103 million and will include the Jacui hydroelectric project. Eletrobras plans to undertake "leasing" programs to operate thermal plants in northern capitals like Manaus, Porto Velho, and Macapa. These plants will run on oil, and later on natural gas produced by Petrobras in the Amazon region. Eletrobras plants to invest R180 million in these projects. (Sao Paulo GAZETA MERCANTIL in Portuguese 8 Jan 96 p B7)

FISCAL, MONETARY ISSUES

Record Revenues Reported in 1995 — The Federal Revenue Secretariat, SRF, collected R84 billion in federal revenues in 1995. This record figure is 30 percent up on 1994 when the SRF collected R64 billion. SRF Secretary Everardo Maciel, who will announce the final figures next week, said these figures are based on preliminary data. He said revenues are expected to increase again in 1996 to R96 billion. He said Corporate Income Tax will total another R5.7 billion. Maciel said Congress must pass the Contribution on Financial Operations, CMF, which is expected to increase revenues by R6 billion. He said the reduction of the Financial Operations Tax, IOF, would result in a loss of revenues of R700 to R800 million. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jan 96 p B3)

Budget Revenue Advance Increases — The Central Bank, BC, authorized Budget Revenue Advance, ARO, loans totaling R3.941 billion to state and municipal governments in 1995. This is 155.8 percent up on 1994 (R1.541 billion). All ARO debts contracted in 1995 must be repaid by the end of January. Concerned about these short term debts, the administration has authorized the replacement of ARO debts with external loans. Of the R3.941 billion authorized by the BC, 59.3 percent, some R2.3 billion, relate to requests from state administrations. Mayors of capital cities obtained advances amounting to R298.143 million, and mayors of cities of the interior of the states accounted for R1.305 billion. Private banks supplied 66.6 percent of these advances granted to the states; while federal and state banks supplied 16.7 percent. The BC said requests for ARO's over a longer term, which require Senate approval, amounted to R1.99 billion in 1995. (Sao Paulo AGENCIA ESTADO in Portuguese 1536 GMT 9 Jan 96)

PRIVATIZATION

Petroquisa Stocks Auction Canceled — The BNDES has canceled the auction of stock owned by the Petrobras Chemical Company, Petroquisa, in the Polipropileno Inc. company. The Petroquisa stocks were initially scheduled to be auctioned at 1030 on 10 January at the Rio de Janeiro Stock Exchange. The cancellation seeks to allow Petroquisa experts to reassess the impact the new income tax laws will have on the price of the Polipropileno stocks. Polipropileno is based at the Camacari Petrochemical Center in Bahia. It is owned by Petroquisa, the Suzano Paper and Cellulose Company, and the now bankrupt Cevekol. Petroquisa will auction 42.86 percent of the voting capital and 17.2 percent of the preferential capital. Petroquisa stocks accounts for 34.19 percent of the working capital of Polipropileno Inc. (Sao Paulo AGENCIA ESTADO in Portuguese 1531 GMT 8 Jan 96)

TRADE ISSUES

Manaus Free Zone Exports $11 billion — Manuel Rodrigues, superintendent of the Manaus Free Zone, has reported that imports by the 732 importing companies based in Manaus totaled $230 million in 1995, and that exports by the 312 industries based in the area totaled $11 billion in 1995. Leading importers of products from the Manaus Free Trade Zone have been Colombia, Venezuela, and Peru. To reduce freight costs from

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Manaus to these countries, the Amazonas state administration is repairing the BR-174 road that links Manaus to Caracas. South Korean companies Samsung and Goldstar will open plants to manufacture household appliances in Manaus this month. The Amazonas administration and private sector are attracting consumers. As of 1 January, the Amazonas administration cut the Goods and Services Movement Tax, ICMS, from 17 to 12 percent. Carlos Souza, president of the Manaus Commercial Association, said the rate is still high compared to that of Miami, where the sales tax is 6.5 percent. Charter flights are being organized to Manaus. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 4 Jan 96 Section 6 p 9)

Iron Ore Exports Increase — Brazilian exports of iron ore totaled $2.307 billion from January to November 1995, 11.6 percent up on the same period in 1994 when it totaled $2.064 billion. The Rio Doce Valley Company and affiliated companies accounted for $1.449 billion of these exports. This is 11.4 percent higher than that exported during the same period in 1994. (Sao Paulo GAZETA MERCANTIL in Portuguese 8 Jan 96 p B18)

Chile

Experts Summoned To Study New Peruvian Proposal

PY0901222096 Santiago EL MERCURIO in Spanish 7 Jan 96 pp A1-A15

[FBIS Translated Excerpt] The Chilean Foreign Ministry has summoned all experts on border issues and international treaties for 7 January, to undertake a technical-legal study of the new Peruvian proposal that rejected the Lima Conventions.

In view of the fact that Chile has no deadline to submit its proposal, it will study the proposal with the attention and importance the situation merits and avoid any hasty reaction.

In fact Carlos Martinez Sotomayor, the Chilean ambassador to Peru, is not expected to return to Santiago until the end of this week. In the meantime, the Chilean diplomat will gather in Lima all possible pertinent information on the issue.

Martinez will bring the original Peruvian proposal through which the Peruvian Government rejects the Lima Conventions and makes a new proposal to Chile to definitively resolve the pending issues in the 1929 Treaty and its Complementary Protocol.

Acting Foreign Minister Mariano Fernandez yesterday told EL MERCURIO that the Peruvian decision to reject the Lima Conventions does not affect bilateral ties in any way whatsoever.

He said: "Our overall ties with Peru are more important than an issue that has to be resolved through a political-administrative solution."

However, he added, if Peru believes that there are no conditions to fulfill this political-administrative resolution, this is a Peruvian, not a Chilean, problem.

Fernandez said that the Peruvian memorandum is being studied like any other proposal received by the Foreign Ministry. He added that the proper thing to do is to assess the Peruvian position before issuing an opinion. He said: "Therefore, it is not appropriate for the Foreign Ministry to issue an opinion, but rather to study the basic issues encompassed in the proposal."

While the Peruvian decision was widely rejected by all Chilean political groups, there was full agreement that Chile must not accept the rejection of the Lima Conventions because this is a unilateral Peruvian decision.

In Peru the situation is the opposite because, according to reports from Lima, Peruvian citizens are supporting the new decision adopted by Peruvian officials.

The meetings to be held as of tomorrow at the Foreign Ministry will be headed by Acting Foreign Minister Mariano Fernandez. They are to be attended by, among others, Favio Vio, the Foreign Ministry foreign policy director general and acting Foreign Ministry under secretary; Javier Illanes, the Borders and Limits Department director; and teams of the Foreign Ministry Affairs of the Americas Directorate. [passage omitted]

'Historic Review' of Relations With Peru Begins

PY0901224496 Santiago EL MERCURIO in Spanish 8 Jan 96 p A1

[FBIS Translated Excerpt] In light of a decision by Peru to overlook the Lima Conventions and submit a new proposal, Chile will today begin a "historic review" of its relationship with Peru and the framework of negotiations since the signing of the 1929 Treaty.

Acting Chilean Foreign Minister Mariano Fernandez said the problem between Chile and Peru is not about territories, limits, or borders, it is merely an administrative problem regarding the way certain services are rendered to Peruvians in territory that is sovereignly Chilean.

The acting foreign minister said: "Our problem with Peru, on the Lima Conventions, is not a territorial issue. It simply refers to the way in which the agreements contained in the 1929 treaty with Chile are fulfilled. It is not a border problem, it involves the administration of services that Chile agreed to provide for Peru."

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Meanwhile, it was confirmed that the Chilean Senate, which in 1993 ratified the Conventions, is unwilling to cancel this unanimous decision and approve a new Peruvian proposal.

Several senators yesterday spoke about the issue. They agree that the terms of the new Peruvian proposal is unacceptable.

In Peru various sectors continued to support the decision of their authorities and insisted that the ratification of the Lima Conventions is not beneficial for the country's interests.

Consultations with experts to draft a sound answer to this change of scenario proposed by the Lima government will begin at the Chilean Foreign Ministry today.

Fernandez stated that as Peru is a state with which Chile maintains relations, and is a neighboring country, the terms of the proposal will be assessed. This situation requires assessment and study because it represents a historic revision of the terms under which the two countries have been negotiating. He then explained that this issue will be discussed concretely and secretly with Peru. [passage omitted]

Insulza: Lima Conventions Ratification Depends on Peru

PY1701173796 Santiago EL MERCURIO in Spanish 15 Jan 96 pp A1, A11

[FBIS Translated Excerpt] The government will take all the necessary time to study and reply to the memorandum submitted by its Peruvian counterpart concerning the pending points of the 1929 Treaty, because Chile has fulfilled its obligation to build and put into operation the facilities that are mentioned in that international treaty, and their use now depends only on Peru's will.

Nevertheless, the executive branch expressed its concern because the memorandum does not mention the Lima Conventions and the other documents Chile and Peru signed on 11 May 1993 in the Peruvian capital, agreements through which the two parties resolved pending points of the 1929 Treary.

According to Foreign Minister Jose Miguel Insulza, it is important to note that the problem of delaying congressional approval of these agreements or their possible rejection are not up to our country but to Peru.

"Concerning the country's interest, there is no reason to speed up the issue of the conventions because we have fulfilled our obligations as regards the pier, the railroad station, and the customs office of Arica. The works are there, and if Peru wants to use them, they are available. It is not our problem; it is a Peruvian problem. Peru will have to decide whether it will approve the Lima Conventions, or whether it wants to begin another round of negotiations that will further delay the resolution of these matters. We have nothing to do with this, nor does it affect the functioning of the installations in Arica or bilateral relations," Insulza said.

The Chilean foreign minister added that the future of the Lima Conventions should not be tied to the issue of using a piece of land in "El Chinchorro," which belongs to the Peruvian Government, and through which, on municipal orders, the second part of the Pan-American Highway was paved. [passage omitted]

Further on Insulza Remarks

PY1701174396 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 17 Jan 96

[FBIS Translated Text] Foreign Minister Jose Miguel Insulza has stated that Chile will not renegotiate the Lima Conventions.

Insulza stated in Santiago that Peru must decide, as soon as possible, what it will do with the treaty and whether President Alberto Fujimori is willing to submit it to Congress.

The Chilean foreign minister also reiterated the surprise caused by the Peruvian Foreign Ministry aide-memoire. Furthermore, he noted that Chile has always stated its willingness to place at Peru's service the three facilities provided for in the 1929 Treaty: the railway, the pier, and the customs house.

Insulza then referred to the Chinchorro issue, noting that the problem between the two countries is not a border issue because what happened in Arica involved the paving of a portion of Chilean territory, not Peruvian territory, and the limits in that area are perfectly established.

Acting Foreign Minister: Laguna del Desierto Case Closed

PY1601115796 Santiago LA TERCERA DE LA HORA in Spanish 12 Jan 96 p 13

[FBIS Translated Text] Referring to a remark by the Senate Constitution, Legislation, Justice, and Rules Commission, that there are sufficient reasons to disqualify the work of Spanish geographer Pedro Mata in the demarcation of Laguna del Desierto, acting Foreign Minister Mariano Fernandez stated: "There is no possibility of annulling the demarcation."

During the arbitration process, representatives the Chilean Government proposed several observations

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to the ruling and to its interpretation. For this reason we also asked the court for a revision of the work by experts. The court considered and rejected the Chilean petition.

He said: "We are committed to honoring our word, now that all resources have been exhausted concerning Laguna del Desierto. The demarcation and installation of the three border markers, plus the two natural markers, is complete."

Air Force Inaugurates New Landing Strip on Glaciers

PY1501152896 Santiago Universidad Catolica Television Internacional in Spanish 0000 GMT 13 Jan 96

[FBIS Translated Text] The Chilean flag is waving over the Southern Continental Glaciers. The Chilean Air Force [FACh] landing strip was officially made operational at noon today.

The sky was practically clear today over the southern Continental Glaciers in the 10th region. This allowed the FACH to establish the basic sovereignty operation camp called "Blue Ice" at 0740 this morning.

Thus, after a week of meteorological difficulties, the first group landed at this unknown but majestic glacial area.

The first plane landed at precisely 1205 today, 12 January, on the Southern Continental Glaciers, at the strip that has been prepared on orders of the FACh commanders. Five FACh generals arrived aboard a Twin Otter, headed by FACh Commander Fernando Rojas.

As of that historical moment, happiness prevails at this camp which is at an altitude of 1,600 meters, on an area of ice which is not a zone of conflict with Argentina.

[Begin Rojas recording] This is undoubtedly and unquestionably national territory. And it is our right and duty to operate throughout our national territory. [end recording]

Thus, the FACh has a landing strip different from that in the Antarctic on which to train its pilots for ice landing operations. It also marks Chilean sovereignty in a place that is almost impenetrable by air.

President Frei Announces Government's 1996 Goals

PY1301024596 Santiago Universidad Catolica Television Internacional in Spanish 0000 GMT 13 Jan 96

[FBIS Translated Text] Over a radio and television network President Eduardo Frei announced his government's goals for 1996. Among the announcements are the measures to fight extreme poverty, new privatizations, and the elimination of some ministries.

Today the entire government moved to Vina del Mar. At Cerro Castillo Palace, President Frei met with all his ministers for six hours. This was the first cabinet meeting of the year. During the meeting, the government authorities outlined the government's 1996 goals.

Over a voluntary radio and television network broadcast a few minutes ago, the president of the Republic informed the country about the government's objectives.

In the political field, he stated that if the constitutional reforms fail, he will insist again but that he will not do so in the event the human rights bill is not approved.

The president also announced studies to eliminate two ministries: Corfo [Production Development Corporation] and the National Energy Commission. He also suggested privatizing the sanitation enterprises and part of the Colgun-Machicura hydroelectric dam.

Among the economic goals, he mentioned training programs for 150,000 workers and the creation of an unemployment compensation system. He also announced a winter bonus for pensioners and title deeds for 3,000 poor families.

In his speech, President Frei emphasized that the great challenge his government faces is to eliminate extreme poverty. In this regard, he announced a significant number of measures, such as an increase in the education and health budget, free choice of medical services, and a plan to extend school hours.

Presidency Minister Arriagada Interviewed

PY0501232596 Santiago ESTRATEGIA in Spanish 2 Jan 96 pp 36, 37

[Interview with Genaro Arriagada, minister secretary general of the Presidency, by unidentified reporter; date and place not given]

[FBIS Translated Excerpt] [passage omitted] [ESTRATEGIA] How much progress has the government really made in its modernization program?

[Arriagada] At the end of 1994 the government created the interministerial committee for the modernization of the public administration. Since then significant changes have taken place. Regarding the public administration alone, 48 services have signed agreements to improve their services by reducing bureaucratic procedures and improving their computerized services. There are 98 management goals the public services must fulfill. Moreover, this is the first year the state, like private enterprises, earmarked 1 percent of its budget for

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training programs. In addition to this are the decisions the government has made regarding the modernization of ports, railroad services...

[ESTRATEGIA] Has Congress acted expeditiously regarding the draft bills related to the modernization program?

[Arriagada] I wouldn't like to criticize Congress. I participated in the meetings of the Economy and Public Works joint committee where a sound debate regarding sanitation projects took place. I would have liked things to move faster but it would be unfair not to acknowledge the contribution made by legislators of the Coalition of Parties for Democracy [CPPD] and opposition. It has been a long procedure because it is a very complex law and we hope to submit the respective bill to Congress during the first session the Senate will hold in January.

The government's effort will be focused on trying to obtain the Senate's approval in March of the draft bill on sanitation enterprises. The initiative regarding Emporchi [Port Enterprise of Chile] is now in the lower house, which has decided to debate it. The government wants the two projects to be granted urgent treatment.

[ESTRATEGIA] Does the government have a set date for these initiatives?

[Arriagada] We hope Congress will approve them by the second half of the year.

[ESTRATEGIA] There is a lot of talk about the need to modernize the public administration. Aside from that, will the state's participation in the economy, its entrepreneurial role, be reduced?

[Arriagada] The government is perfectly aware that the private enterprise is the driving force of a modern economy. Strengthening the states' entrepreneurial role would only mean taking a step backwards.

[ESTRATEGIA] Why, then, does the government insist in allowing the state to play that role, to a certain extent, in the sanitation enterprises?

[Arriagada] There are no radical solutions. There are processes within which the countries define policies they regard coherent. In this field we have defined a plan with three main pillars: reducing the state's entrepreneurial role; enthusiastically inviting the private sector to join the state; establishing regulations for those areas where competition is unfair or monopolies exist and promote competition.

[ESTRATEGIA] Although the government, and especially you, seem very keen in stepping up the modernization process, how will you handle the opposition posed by some CPPD legislators in Congress?

[Arriagada] Persuasion is necessary in these cases. The president of the Republic has stated that, regarding the modernization plans, he will not accept vetoes nor that sectors nor corporate interests hinder what we believe is a policy that will favor the entire country.

[ESTRATEGIA] Are you doing anything to face the vetoes announced by the PS [Socialist Party] chairman?

[Arriagada] As a group of parties what we must do is to seek greater agreements. In fact, with the PS leadership we have reached an agreement over the sanitation enterprises that was signed by the chairmen of all the parties. I am sure we may have different viewpoints regarding specific issues but I don't think it is a matter of concern.

[ESTRATEGIA] What will the government's priority be from now on, reaching an agreement before submitting the draft bill to Congress or will it do as in the case of the reconciliation proposal that was submitted without reaching a prior agreement?

[Arriagada] Obviously, the ideal thing for a government would be to have a full agreement but we cannot remain paralyzed if we do not have one. So far the government has not suffered any defeat in Congress regarding significant projects and I hope this will also be the case in 1996.

[ESTRATEGIA] In order to consolidate the modernization mentality will the government review its relationship with the legislative branch?

[Arriagada] We have to make a great effort to improve the government's relationship with the legislative branch. Almost every week at least nine ministers go to Congress. Moreover, we hold meetings with the leaders of the CPPD bloc of deputies and senators every Monday at La Moneda as well as the coordination efforts made by the political team, especially by the interior minister.

[ESTRATEGIA] Does the government lobby with opposition legislators?

[Arriagada] We are undoubtedly interested in doing so. The opposition, at times, is very harsh and at times very unfair, such as the case of the UDI [Independent Democratic Union] assessing 1995. But one also notes that the opposition has a constructive attitude regarding specific projects.

[ESTRATEGIA] The president has said he will ignore any kind of pressure exerted by any sector. Who was he referring to specifically?

[Arriagada] The governments are always subject to a lot of pressure. A modernization process entails a process

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of changes and many people do not like changes, either because those changes affect their material interests or because they are defending their corporate interests. The past few days we witnessed the objection to an attempt to improve the education system...

[ESTRATEGIA] Which CPPD member party has shown the strongest opposition?

[Arriagada] There are still nostalgic sectors that dream of the past and regard the economy and social problems of the 90's with a mentality of the sixties.

[ESTRATEGIA] Are you referring to the socialists?

[Arriagada] I would say that in every party there are people who are not willing to forget the past. The teachers, in defending their corporate interests, many times found that UDI legislators strongly supported them. Anyway, I don't think one can say that pressure is exerted by a single party.

[ESTRATEGIA] The 1995 agenda was characterized by political issues and, in the modernization field, priority treatment was given to infrastructure. What is going to happen in 1996; will emphasis be placed on the same issues?

[Arriagada] The president is working hard to determine the tasks for 1996 and, obviously, those announcements will be opportunely made by him.

[ESTRATEGIA] Do you think the government will grant the expected emphasis to the socio-economic field?

[Arriagada] We are faced with a huge task: maintain the macroeconomic balance. From the infrastructure viewpoint, although during 1995 we defined almost every necessary policy, in 1996 we will have to emphasize the implementation of what was decided. After that we will have to give priority treatment to social subjects: poverty, education, health. The president is also greatly interested in stepping up the state's modernization. But it is not a matter of implementing magic policies to reverse the poverty accumulated throughout history in two years' time. The governments may contribute to progress but not find definitive solutions.

[ESTRATEGIA] Do you think these objectives will be achieved taking into account the fact that 1996 will start by continuing the debate regarding the reforms and the human rights proposal?

[Arriagada] But the president of the Republic has already given his opinion, made a proposal that has already been submitted to Congress. In our capacity as members of President Frei's cabinet, we will go to Congress to uphold those proposals. But how expeditiously they will be approved is beyond our control.

[ESTRATEGIA] We are into the Frei administration's second year and it appears to be facing the same dilemma of 1995, that is, how to discipline the parties and be a truly nonpartisan government. How is it going to attain this, especially if the political controversy of remaining trapped in the past persists?

[Arriagada] The worst thing in the world are governments without a political party. Every modern and democratic government is a party government. This implies making an effort to coordinate, convince. The government has the duty to work with the parties, but it cannot lead us to stagnation, into a swamp, where no progress is made.

[ESTRATEGIA] Do you think the CPPD might suffer a rupture if some insist in looking into the past?

[Arriagada] No. Never in Chilean history has there been a broader political alliance and more successful than the CPPD. Never has a political alliance in Chile been reelected. Those who predict the demise of the CPPD are mistaken. The relationship with the CPPD has always been both optimistic and difficult. There will always be tensions and difficulties. The incredible thing is that the CPPD has always been able to overcome these problems.

[ESTRATEGIA] Has the last crisis sparked by the Frei proposal been overcome?

[Arriagada] I am sure it has been overcome. There might still be a degree of tension but that is what politics is all about.

[ESTRATEGIA] Another issue that marked 1995 were the cases of irregularities in public enterprises and services. Not long ago the president of the State Defense Council said that there was no generalized corruption but that there were some alarming cases...

[Arriagada] In the struggle against corruption the only feasible policy is to prevent it, because once it settles in a country it is very hard to get rid of it. Chile, undoubtedly, is the Latin American country with the lowest corruption rate. During 1995 the government submitted to Congress a draft bill on probity in the public administration which I hope will become a national issue with the government and the opposition making a joint effort for its approval as soon as possible.

[ESTRATEGIA] Precisely. The debate on this subject seems to have reached a standstill.

[Arriagada] The project was submitted to Congress in January 1994 but unfortunately the Constitutional Committee had other priorities to take care of.... Aside from

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this we have a constitutional reform project to include the principles of probity and honesty in all public institutions. The government has established an internal auditing system, created a new directorate for administrative affairs in the Presidency of the Republic, through which we work with auditors in each of the ministries. Starting with the 1995 budget we significantly reduced the discretionary funds administered by the ministries. We have a legal commitment with the legislators to increase the information and openness on how the budget is being implemented. Throughout this year we hope to establish an electronic system for selecting the winning offer in public tenders, which will make the purchasing system very clear.

[ESTRATEGIA What about corruption? Has it increased compared to other years?

[Arriagada] I don't think it has increased. In some areas we have weaker administration systems, such as the municipal system implemented as of 1992. Therefore, in the municipal reform projects we have increased measures to improve their administration, perfect the purchasing regulations, and strengthen the internal control system.

[ESTRATEGIA] But Bates talked about alarming cases....

[Arriagada] Any case of corruption causes alarm but in this field the government has adopted measures, it created a commission to handle ethics, and has gradually implemented the measures.

Perez Yoma Views Relations With Military

PY1501132096 Santiago EL MERCURIO in Spanish 7 Jan 96 pp A1, A15

[Interview with Chilean Defense Minister Edmundo Perez Yoma by Patricio Gonzalez Cabrera; place and date not given]

[FBIS Translated Text] [Gonzalez] Do you believe the case involving [former Intelligence Police Chief Manuel] Contreras represented a setback in Chilean politics?

[Perez Yoma] No, no. It could have been a setback but it was definitely not. I believe its good point, which we are able to appreciate now at the end of the year, is that despite all the difficulties we were able to progress regarding substantial issues that concern this ministry.

[Gonzalez] This was a "sensitive" issue for the Armed Forces, which could have seriously damaged or broken their relations with the government.

[Perez Yoma] I believe this series of difficult situations, with complex aspects hard to solve, and the way in which they were handled, in the end strengthened the relationship between the ministry and the three branches of the Armed Forces.

[Gonzalez] Some sectors believe that your good relationship with [Army Commander] General Pinochet played a decisive role in solving the problem.

[Perez Yoma] I don't think so. What contributed to an effective solution to these problems was the hierarchized institutional relationship we have established. It is a regular, normal relationship in which the regular channels are respected and in which everything is done through the appropriate channels.

In other words, this ministry handles and continues to handle defense issues. Justice issues are handled through the justice channels.

[Gonzalez] Did this contact through the right channels, as you have pointed out, have any repercussion within the government? There were rumors about serious disagreements between you and Minister Figueroa.

[Perez Yoma] I want to categorically deny that. There was never any type of problem within the government.

For a long time people speculated on the possibility of disagreements between Minister Figueroa and me. We have never been able to determine — and we have both discussed this subject — what those alleged disagreements involved.

[Gonzalez] How about with other government officials?

[Perez Yoma] No. This subject was discussed in a unanimous manner within the government. We believed the problem should be handled by the court, it was a subject exclusively for the judges and we had to have confidence in the state of law. This policy was only changed when the rightist sector came up with its human rights project.

[Gonzalez] Some member parties of the Coalition of Parties for Democracy [CPPD] were not very happy with the government's human rights project.

[Perez Yoma] But that had nothing to do with the way we handled the Contreras case. The CPPD gave the government and this ministry tremendous support regarding that subject. The reaction that followed was caused by the bill submitted to Congress rather than by the Contreras case.

[Gonzalez] What opinion do you think they have of you within the PS [Socialist Party]?

[Perez Yoma] ...I have still not had an opportunity to meet with the new leadership. We had long meetings with the one headed by Camilo Escalona and, in general,

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the PS supported all the draft bills I have submitted to Congress.

We cannot complain. Quite the contrary, we are very thankful for the support the PS has given our legislative initiatives.

[Gonzalez] Did the Contreras case obstruct or delay work in your ministry?

[Perez Yoma] It did hinder work to some degree but it did not prevent us from continuing to progress regarding other subjects that really concern this ministry. That is, to draft a state defense policy by consensus and to ensure that everybody learns about it and shares it.

[Gonzalez] How much progress have these projects made?

[Perez Yoma] We have so far defined what these projects are. I first held a series of news conferences throughout the year during which we tried to address the issues we consider most important. Second, we identified a series of issues we would like to include in what would be a definition of the Chilean Defense Policy in a book on Chilean Defense. I do not like to call them "White Papers." It is a book in which we will try to define Chilean defense, what it is all about.

We will now begin a process with the various defense institutions, a debate to determine if these are the important subjects, if some are superfluous or some are missing.

[Gonzalez] How long has the government given you to draft that document?

[Perez Yoma] This is a "key" year because we are now starting to give these issues substance. Deadlines? There is no problem if we do not finish it by this year. The important thing is to complete the job.

[Gonzalez] Will the specific policies of the Armed Forces be taken into account?

[Perez Yoma] Of course. Chile does not lack a defense policy. It has an implicit defense policy and a military policy that has to do with it.

[Gonzalez] In practice what measures have you adopted to apply this new policy?

[Perez Yoma] We have implemented the existing defense institutional system. We haven't invented anything new. We summoned the Board of Armed Forces Commanders — that will meet again in early March — and the Higher Council for National Security (Consusena), which are two important advisory bodies of the ministry and the president of the Republic, respectively.

[Gonzalez] Have the Armed Forces welcomed these measures?

[Perez Yoma] The commanders in chief have been exceptionally receptive and have participated with great enthusiasm. We even intend to increase the number of meetings we will hold with them this year.

We mustn't forget that the Board of Armed Forces Commanders is the main adviser to the Defense Ministry on military affairs.

[Gonzalez] For many reasons, people in Chile are unaware of the importance of these subjects at both political and citizenry levels.

[Perez Yoma] It should be pointed out that defining the defense policy helps coordinate the actions of the various national sectors that participate in defense, especially the legislative branch.

[Gonzalez] Does it yield positive results?

[Perez Yoma] This year I addressed the mixed congressional budget committee for three hours and 40 minutes, not to explain the defense budget but rather the defense policy. The results were excellent and as a consequence all draft bills submitted by this ministry have been approved unanimously.

[Gonzalez] Is the way politicians think regarding this subject changing?

[Perez Yoma] I think so. The fact that our draft bills are usually approved expeditiously proves the legislators' goodwill toward this ministry's policy and toward the Armed Forces.

[Gonzalez] The materialization of a document on Chilean defense, obviously has an international purpose.

[Perez Yoma] We want neighboring countries, the countries of the region, to know our real defense policy and plans. We believe we are thus effectively contributing toward peace in the region and with the neighboring countries.

[Gonzalez] This includes a rational policy on military purchases.

[Perez Yoma] Our option is defensive-dissuasive because we have stable borders. There are administrative problems stemming from the Southern Continental Glacier Treaty — which has yet to be approved by Congress — and the treaty with Peru, but our country does not have any real border problems.

[Gonzalez] There is some concern in Argentina over the military purchases and military activities in the south.

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[Perez Yoma] I think they are just press reports. Relations between Argentine and Chilean military institutions are excellent, the same as that between the Defense Ministries. The implementation of mutual confidence measures has had excellent results, for both Argentina and Peru. In this regard there are no problems.

[Gonzalez] What about "Operation Blue Ice" carried out by the FACh [Chilean Air Force] in the Southern Continental Glaciers?

[Perez Yoma] A treaty was signed by the two governments over the Southern Continental Glaciers which has yet to be ratified by the Congresses of the respective countries. There is a natural curiosity to learn the details of this agreement.

We have traced the map of the zone with the help of the Defense Ministry because we lacked our own maps.

This is only normal because if Congress is going to be busy ratifying this agreement in the next few months, it needs details about the zone.

The operations by the Navy, the Army, and the Air Force are another issue. The problem is that we Chileans don't know our country and the Armed Forces are giving the legislators, the journalists, the people who need to express their opinion on this issue an opportunity to go to the site and see for themselves what they are talking about.

Pinochet Reviews 1995, Looks Ahead

PY0501212096 Santiago LA TERCERA DE LA HORA in Spanish 31 Dec 95 pp 10-12

[Interview with Army Commander Augusto Pinochet by Maria Eugenia Oyarzun in Santiago; date not given]

[FBIS Translated Excerpt] [Oyarzun] How would you assess 1995 on a personal level?

[Pinochet] It has been a good year on a personal level because I was able to fulfill many goals.

[Oyarzun] Such as?

[Pinochet] The modernization of the Army. I was able to sign a contract with the British for the establishment of the company that will market the Rayo rocket. I visited Malaysia to establish contacts and observe firsthand a country that is developing at a tremendous pace, where they need more workers —they have to be imported — and attest to the possibilities of a country in which everyone works and is organized. We will conduct several military undertakings with Malaysia, mainly dealing with the exchange and marketing of certain programs promoted by the Chilean Army and which are today used by many armies worldwide such as the Ceotac (Computerized Tactical Operation Center), which is based at the War Academy.

[Oyarzun] You said that 1995 was a satisfactory year...

[Pinochet] On a personal level...

[Oyarzun] Why?

[Pinochet] Because we had problems concerning General Manuel Contreras. The court ruled against him and he is now serving a sentence in Punta de Peuco. No one remembers him now. We do, and we send him things...

[Oyarzun] Why do you say no one likes to remember him?

[Pinochet] The people outside the Army do not remember him...

[Oyarzun] Do you believe people outside the Army gave Contreras the "Chilean-style treatment" ["pago de Chile"]?

[Pinochet] I cannot say that. It is not the Chilean-style treatment but they did not acknowledge something that was done at a given time. People have short memories.

[Oyarzun] Do you believe public opinion was prejudiced against Contreras?

[Pinochet] Look, if I allege that so-and-so is an artist and repeat it several times, in the end people will believe he is an artist. If the press, the media, and everyone else also states that he is an artist, the people will believe he is an artist even if he is awful.

[Oyarzun] How was 1995 for the Army?

[Pinochet] It was a very, very harsh year because two of our men, whom we believe to be innocent, were sentenced. But I do not want to reopen wounds. Let's leave it like that...

[Oyarzun] What do you believe is the image Chileans have of the Army?

[Pinochet] I believe the Army has a good image despite the propaganda campaign unleashed during the Aylwin administration, particularly at the beginning of his administration, regarding the Armed Forces administration and the Army.

[Oyarzun] Do you believe people tried to destroy the image of the successful administration achieved by the Armed Forces?

[Pinochet] They tried it through every possible means. Proof of it was the date established by the Rettig commission to start its investigative work. That is, it was not necessary to investigate violent actions prior to 1973. It was not necessary to investigate the training

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and equipping of paramilitary Marxist forces which promoted an armed revolution and which had to be combated by the Armed Forces. This clearly proves that their only intention was to cause problems for the Armed Forces institutions by upholding a biased point of view of what happened in Chile in the last quarter century. [passage omitted]

[Oyazun] As a Catholic, were you hurt by the criticism made by the Catholic Church?

[Pinochet] I am a Catholic, and it hurt me...but...

[Oyarzun] Were you also hurt by the U.S. rejection?

[Pinochet] It also hurt me...

[Oyarzun] Was the political and military isolation to which the United States subjected Chile good for our country?

[Pinochet] They left us alone. We were compelled, therefore, to act alone. They caused problems. I will not use any names but I would say that Mr. Carter was not honest with me.

[Oyarzun] Why are you saying this?

[Pinochet] Because if I had plans to visit the Philippines why didn't he have the courage to tell me: 'Look, don't go general, because we don't want you to go.' I would have thought it over. But they deceived me until the very last minute and got ready for 'the party'...

[Oyarzun] But this helped Chile become more united.

[Pinochet] It helped Chile become more united and realize that in the face of adversity we were able to succeed despite being alone because Chileans are enterprising, intelligent, and courageous people who have their own identity and way of life.

Look, Maria Eugenia, I believe the United States did not support the military government despite being an anticommunist government.

[Oyarzun] How do you see the future of the country?

[Pinochet] No comment. [passage omitted]

Will you remain in your post as Army commander for the next two years?

[Pinochet] I want to resolve all those annoying situations before leaving so that I can leave my people headed in the right direction.

[Oyarzun] Which direction?

[Pinochet] There are court cases that are constantly being opened because there are people filled with hatred. They alleged that they suffered a lot. Well how about my people? Do they think we are made out of iron...? How many mothers weep for their children who were killed by a bomb, maimed by an explosive device or because they were shot at point-blank-range?

[Oyarzun] You say you won't leave while these problems remain...

[Pinochet] Until things are as they should be. I hope we will be able to achieve it.

[Oyarzun] At any rate, you have a deadline...

[Pinochet] I have a deadline, but deadlines are just that, 'deadlines.' Nevertheless, I respect the law...

[Oyarzun] Do you believe in extending deadlines?

[Pinochet] No, I do not, but it is not my problem...

[Oyarzun] Will you accept being a senator for life?

[Pinochet] You are asking me something I have not thought about.

[Oyarzun] You haven't thought about it?

[Pinochet] I have thought about it, but I have not pondered on it enough...

[Oyarzun] What is your secret for being in such good physical and mental condition?

[Pinochet] I have faith.

[Oyarzun] In God?

[Pinochet] In God, in what I am doing, in that everything must work out fine. It is my faith in Chile. I have faith in Chile because when there were grave problems like what we experienced in 1973, Chile succeeded on its own. Now some despise us. They allege that the Armed Forces do not safeguard the institutional system. Yes, we do no need an apolitical institution to safeguard the institutional system. Others say that the Armed Forces should not be politicized. This is all very curious! They say that they do not want to Army to be politicized but when it was to their advantage they sought through all means available to politicize it. Now they want to get rid of us to impede us from doing this or the other! Well, I wonder: What do they want? If they want to go back 70 years and reinstate the situation prevailing in 1925, so be it. They will have to assume the future consequences for not allowing a modern system to yield its fruits and prove its effectiveness.

[Oyarzun] Does the constitutional reform promoted by the administration and National Renewal [RN] affect the Army?

Gen. Pinochet closes his eyes almost completely until you can barely see them, smiles sarcastically and states: [newspaper editorial note]

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[Pinochet] I haven't studied this issue...!

[Oyarzun] The Otero-Figueroa draft bill...?

[Pinochet] Look, can I tell you something? I really do not know what they have done or what they are planning to do. If they are as patriotic as they allege to be they should realize that the country is developing just as it is and if some start to cause doubts abroad.... But I refuse to be dragged into this...! [passage omitted]

[Oyarzun] You once told me that communism is not dead. What do you think about the victory of the communists in Russia, Poland, and Italy?

[Pinochet] Communism is not dead and it will go on for one or two more generations. If governments do not adopt any measures, communism will continue to survive. This is because people who do not like to think are guaranteed housing, jobs, health care, education, etc. under a communist system while under a democratic system of government, people are forced to work to have access to certain things. [passage omitted]

[Oyarzun] What do you think about salaries? Are you better paid now or are salaries still bad?

[Pinochet] Since you raised the issue I will tell you the following: I have already informed the Army's concern about low salaries. I declined to comment on what has transpired since then.

[Oyarzun] Have you obtained negative results?

[Pinochet] I cannot tell you, Maria Eugenia.

[Oyarzun] But do you agree with the current military salaries?

[Pinochet] No, I don't agree with them.

[Oyarzun] Do people complain about their salaries?

[Pinochet] People are leaving the Army. [passage omitted]

Case of Former Carabinero Director's Death Closed

PY1601142396 Santiago EL MERCURIO in Spanish 12 Jan 96 p C11

[FBIS Translated Text] Nelson Caucoto, plaintiff in the case of the death of former Investigative Director General Eduardo "Coco" Paredes Barrientos on 13 September 1973, yesterday disclosed that General Eugenio Videla Valdebenito, outgoing Santiago military judge, fully and definitely closed the case by applying Amnesty Law No. 2191, that was decreed in 1978.

The military court ruling states that investigations by the Second Military Court of Santiago "have been exhausted without determining who was responsible for the crime."

Cauco, who appealed the ruling, added that the amnesty law was also applied to the case of the disappearance of Jorge Antonio Herrera Jofre, a MIR [Movement of the Revolutionary Left] militant, who was abducted on 13 December 1974 when he was 18 years old and a secondary school student.

Regarding the latter case, Caucoto said he will appeal the ruling before the Supreme Court because he believes that in cases of abduction the statutes of limitations cannot be applied until the abducted person is found.

Caucoto also referred to the coinciding viewpoint of the Christian Churches Social Aid Foundation (FASIC [Fundacion de Ayuda Social de las Iglesias Cristianas]) and the auditors of the Armed Forces and Carabineros who rejected the government's human rights initiative.

The attorney, who is a member of the FASIC legal team, said: "In view of a definite law (the 1978 Amnesty law) that prevents the establishment of the whereabouts of the victims, the military are satisfied with the way in which the amnesty law is being applied," which he believes would justify the objections of the auditors to the current draft bill, "because it generates insecurity."

Caucoto said the FASIC rejects the mentioned project and considers it "favorable to military men."

PPD Leader Rebolledo Discusses PS-PPD Relations

PY0901185896 Santiago EL MERCURIO in Spanish 4 Jan 96 p C3

[FBIS Translated Text] The probable presidential candidacy of Ricardo Lagos may encounter considerable difficulties, although not irreversible, as a result of the electoral victory of the most leftist sectors of the Socialist Party [PS] and the estrangement between the PS and the Party for Democracy [PPD].

This was admitted by Victor Manuel Rebolledo, PPD leader and former minister. A few days ago, Rebolledo sent a letter to his party's national board, in which he commented on how relations between the PS and the PPD should be faced.

Rebolledo agrees with PPD President Deputy Jorge Schaulsohn that renewed PS factions which no longer feel at home inside the party should join the PPD.

He said the renewed PS factions failed in their political attempts. He said they thought they could convert inflexible and orthodox factions into a strong political force for the future, with democratic and progressive socialist characteristics.

The PPD leader said: "They failed. Now, six years after abandoning the PPD project — which was very successful — seeking to unite with the PS, they have become a

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small minority in the PS. They are unquestionably dominated by orthodox sectors. This is fine because it is the sovereign will of the rank and file, as shown in recent democratic elections. That is reality."

Rebolledo said the renewed socialists are now meditating about a position from which they can contribute more effectively to a political project. They must decide between the PPD — as they did in 1987, 1988, and 1989 — or the PS, which has become consolidated into a political force dominated by its most orthodox factions.

Rebolledo discarded the idea that an exodus from the PS renewed factions into the PPD might increase the estrangement between the two parties because, as he explained, a group of renewed PS members continued to belong to both parties after the PPD was founded and, later, participated in the process of reuniting the PS. He added that this group remained in the opposition, which is the best place from where to perform progressive politics in Chile.

This position made some traditional socialists — like Erich Schnake and others — remain within the PPD, while other proven renewed socialists — like Jose Antonio Viera-Gallo and Enrique Correa — joined the PS. It also prompted some militants who had joined the PS — like Adriana Munoz — to return to the PPD. He added: "This shows people have always changed parties, and I believe it will continue to happen."

He insisted, however, that the decision to join one party or the other is a sovereign decision of the renewed PS, although they may again believe the PPD is the most adequate party for performing progressive politics.

Rebolledo admitted that renewed socialists had a leading role in founding the PPD and that the contribution this party made to the country's transition into democracy is of historic importance. He said the PPD is as politically important to its members as the PS is to its members.

He added: "I believe decisions to leave one party and join another do not change relations between the PS and the PPD. I believe the scope of PS-PPD relations is established by quite immutable factors: First, the PPD and the PS have become very different parties. They are unlike those parties that become more similar every day and will eventually become one single political force. This has not happened, and will not happen."

Another point that marks relations between the two parties is that, no matter how separated their ideological and political positions become, they are somehow bound by the electoral system and thus have permanent political-electoral obligations. If they want better results in the municipal elections, they must make a pact because that way they can both elect more mayors and councilmen.

Rebolledo added that it is a natural and common aspiration within the PS-PPD coalition to have a presidential candidate, and this implies support from both parties for that candidate.

He added that all these factors establish a pattern under which the PPD and the PS relate to each other.

Rebolledo insisted that they are two separate parties that are not converging but have consolidated their differences and their characteristics as different forces. They are, nevertheless, two parties with a similar and definite agenda of commitments and of political-electoral cooperation that will operate until 2000. He said: "In my opinion nothing will modify these two aspects."

Rebolledo said the profile and the political program platform that progressive socialists can offer the country through Ricardo Lagos' candidacy must be defined. He added that if the PS becomes more powerful and the PPD becomes weaker, it is only natural that the signs, style, and tradition of the PS will prevail as a symbol of what is offered to the country through Ricardo Lagos. He added: "If this occurs, I believe it will be the green light for the minority that supports Lagos. Otherwise the renewed socialist factions will prevail. It will be interesting to find out which party has more power."

He said that, due to these circumstances, Lagos' candidacy becomes more difficult although not irreversible because it depends on what the two parties will do.

Report on Losses Caused by Software Piracy

PY0901215996 Madrid EFE in Spanish
1642 GMT 9 Jan 96

[FBIS Translated Text] Santiago, 9 Jan (EFE) — A report released today by the Association of Software Distributors shows that losses due to software piracy in 1995 amounted to $72.6 million in Chile.

The association states that 64 out of every 100 software installations were illegally copied in the Chilean market, and that most of these illegal copies were used by small and medium sized enterprises and by private computer owners.

Real sales of software in 1995 amounted to $38.4 million, less than during 1994, when sales amounted to $39.2 million.

Hugo Mendez, Association of Software Distributors president, explained that piracy is expected to increase during 1996 due to the increasing number of private computers.

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Mendez said that 80 percent of the piracy involves spreadsheet and word processing software.

He said that losses worldwide caused by piracy for commercial purposes almost equaled world sales in 1994, and the situation is expected to be more or less the same in 1995.

The information obtained shows that worldwide losses from the illegal use of software in 1994 amounted to $8 billion, while sales amounted to $8.5 billion.

Colombia

Prosecutor Valdivieso Views Justice, Prison Security

PA1701042396 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0230 GMT 17 Jan 96

[Telephone interview with Prosecutor General Alfonso Valdivieso by unidentified reporter and station announcer; place not given; from the "QAP News" newscast — live]

[FBIS Translated Excerpt] [Announcer] We are in touch with Prosecutor General Alfonso Valdivieso. Mr. Prosecutor, good evening. What do you think about the results of the poll on extradition, and what is your position on extradition?

[Valdivieso] I have always believed in extradition, but I also said that I do not think that its restoration at this time is viable. Thus, I think that an effort toward this end would be frankly irrelevant. [passage omitted]

[Reporter] Prosecutor General, why do you think that Colombians do not believe in the sentences imposed on drug traffickers in the country?

[Valdivieso] I think that Colombians have reason to be skeptical about the ability of justice to act. We are absolutely convinced that this is the most [word indistinct] atmosphere. I, however, have always maintained a much more positive criterion. I am certain that justice, and the Prosecutor General's Office in particular, will be able to tackle this [word indistinct]. [passage omitted]

[Announcer] Mr. Prosecutor General, what do you think about the privatization of prisons?

[Valdivieso] I think that it is a good alternative. I think that this was proposed, and an analysis should be advanced.

[Reporter] Prosecutor General, would you agree, for example, with a proposal that has been circulating that international organizations guard the country's prisons, especially maximum security ones?

[Valdivieso] International assistance should involve giving advice, but I do not think that it would be feasible in the operations field. I think that we must trust the ability of Colombians, of course, based on much more skillful actions and more determined actions to face all evils, including corruption.

Minister Comments on Banana Agreement With United States

PA1501014896 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 11 Jan 96

[Interview with Colombian Foreign Trade Minister Luis Alfredo Ramos Botero by unidentified reporters; place, date not given; from "Caracol's 0600 to 0900" newscast; live or recorded — broadcast in progress]

[FBIS Translated Text] [Ramos] ...we have struck a very important agreement for the country, an agreement that lends stability to the Colombian banana trade and puts us in a favorable position for the coming years after an understanding with the U.S. Government was reached. In this regard, I conclude the investigation I started one year ago [words indistinct] so we can improve our exports and protect Colombian producers and exporters.

[Reporter] What are the most prominent points in the agreement?

[Ramos] The main points of the agreement are that the United States and Colombia will [words indistinct] to the European Union the free trade of bananas. Also, quotas will continue being distributed to various countries with two types of marketing agents for selling bananas to the EU. In addition, Colombia avails itself of a clear regulation regarding the quota distribution for marketers. These are the most important points of the agreement, in addition to providing a mechanism for permanent talks to settle any conflicts that might arise in this regard.

[Reporter] While this formal request is presented to the European Union, will Colombia continue abiding by the agreement regarding the banana quotas that had already been in effect for the EU, or will this be modified [words indistinct]?

[Ramos] Colombia will continue abiding strictly by the agreement with the EU, because the pact with the EU, the so-called framework agreement, remains intact; therefore, Colombia will continue complying with the corresponding quota, 21 percent.

[Reporter] Knowing how hard the Americans are in commercial matters, what arguments did Colombia present to try to persuade them that things have been done right while keeping our production from being harmed?

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[Ramos] [Words indistinct] Colombia and Costa Rica have signed the agreement with the EU. The public knows very well, however, the rules of the game, most of which are established by the EU; therefore, because we signed this pact and agreement, we did not violate any standard, let alone harm the United States, which does not produce this fruit. This is why we have always said there has been no discrimination in the agreements Colombia has signed. This is why we have signed this new understanding on the grounds that such a favor would benefit Colombia if the marketing of bananas is liberalized.

[Reporter] Colombia contradicts itself in this letter of understanding [words indistinct] the liberalization of the banana market [words indistinct].

[Ramos] There is no contradiction, because the obligation is just to [words indistinct] nothing different from presenting a formal request to the EU.

[Reporter] In such a case, is the United States supposed to admit that the responsibility falls on the EU and not on Colombia or Costa Rica, which is also involved in the issue?

[Ramos] I believe this idea can be inferred from the agreement and the understanding.

[Reporter] The most important thing is that no penalties are imposed on Colombia.

[Ramos] Tariff preferences from the United States [words indistinct]; therefore, bananas, just like any other product, will continue along the same export process, so we will have no trouble complying with this understanding.

[Reporter] What is the nature of the payment arrangement with Venezuela?

[Ramos] Colombia has presented a very respectful request for the Venezuelan Government to reestablish the so-called payment orders so the entire process can be speeded up with our exporters who are being subjected to several internal procedures on exports [words indistinct]. We expect that with the reestablishment of payment orders we can help the export sector speed up and disentangle the entire export process.

Minister Calls Troop Invasion Violation of Sovereignty

PA1101131396 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 10 Jan 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] RCN Bogota — The Venezuelan soldiers who invaded the Mesas de Oriente area on 28 December did indeed violate Colombian sovereignty. This was announced by Diego Cardona Cardona, the deputy minister of America and territorial sovereignty. He added that he has already received the first explanations on this incident from the Venezuelan authorities. Cardona Cardona spoke to RCN and asserted that top Venezuelan military leaders stated that they will punish those responsible for the raid. Basically, it seems Venezuelan soldiers did enter Colombian territory, but the noncommissioned officers were the ones responsible for the action, the official noted.

Envoy to Venezuela To Be Recalled for Consultation

PA1301183096 Mexico City NOTIMEX in Spanish 1514 GMT 11 Jan 96

[FBIS Translated Text] Santa Fe de Bogota, 11 Jan (NOTIMEX) — The Government of Colombia next week will recall its ambassador to Caracas, Francisco Posada de la Pena, for consultation, a source at the local Foreign Relations Ministry today reported.

The diplomat must present a report on the mission's position regarding the frequent border problems caused by the incursion of Venezuelan soldiers in Colombian territory and the action of criminal and guerrilla groups on the neighboring country.

The Foreign Relations Ministry also created a commission that investigated for four days the violation of Colombian sovereignty by a Venezuelan patrol, in the town of Vetas de Oriente.

The commission this Wednesday delivered its report to Foreign Minister Rodrigo Pardo, who said that the soldiers from the neighboring country went 2 km into Colombian jurisdiction and committed abuses against the police magistrate of Vetas de Oriente and some of its residents.

Vetas de Oriente is an agricultural village located very close to the border, in the jurisdiction of the Colombian Municipality of Tibu.

Ambassador Posada de la Pena this Thursday told private radio station Caracol that he has not yet been notified that he is being recalled for consultation, but should it take place, he will deliver next week a report on bilateral relations.

"I suppose that after the results of the commission are reported, President (Ernesto) Samper and Foreign Minister Pardo would want to assess the situation, hear the opinion of the ambassador to Caracas, and take the appropriate actions," Posada de la Pena noted.

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He said that the fact he may be recalled for consultation does not mean that relations are deteriorating. He said this is a routine action of diplomatic work to analyze specific topics.

The incursion of the Venezuelan military patrol in Vetas de Oriente occurred last 28 December, but it was only reported one week later by Norte de Santander Governor Sergio Entrena Lopez, who asked Samper to dispatch an investigation commission.

In addition, Venezuelan Defense Minister General Moises Orozco Graterol acknowledged the undue incursion of the patrol, and explained that it was a mistake caused by the deficient border delimitation.

The two countries are studying alternatives to increase the number of border markings in order to stop the frequent diplomatic disputes caused by wrongful incursions in neighboring country's territory.

Both countries maintain a dispute over maritime and submarine areas in the Gulf of Venezuela or "Golfo de Coquivacoa," as some Colombian sectors call it. These disputes have not been resolved in 40 years of negotiations.

Israeli Envoy Denies Press Reports on Mediation Offer

TA1601120196 Tel Aviv HA'ARETZ in Hebrew 16 Jan 96 p A5

(ITIM report)

[FBIS Translated Text] Jacques Deqel, Israeli ambassador to Colombia, has denied reports by the Colombian press that he offered to mediate personally between the government and guerrilla groups acting to topple the regime. The Colombian media reported the matter and the Foreign Ministry in Jerusalem recently learned of these reports.

According to the Colombian reports, the ambassador told local correspondents that he had been approached by sources representing the three Marxist guerrilla organizations operating in Colombia. The three organizations are respectively known as "the Colombia Revolutionary Armed Forces," "the National Liberation Army," and "the Popular Army of Liberation." According to the reports, Deqel said that the three groups initiated the approach out of the desire to learn from Israel's experience in resolving violent internal disputes.

The Colombian press also asserted that Deqel's proposal to mediate between the warring parties was raised during a tour to the city of Pasto in the southern province of Narino. His remarks were widely quoted by the Colombian press. Officials in Jerusalem have still not learned how Colombian President Ernesto Samper reacted to the surprising offer.

Deqel, for his part, categorically denied the reports when questioned on the matter by the Foreign Ministry.

Rebel Group Commander Interviewed on Peace Negotiations

PA1401202696 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 13 Jan 96

[From the "Cripton Newscast"]

[FBIS Translated Text] In the mountains of Cauca, contacts between the government and the Jaime Bateman Cayon guerrilla group are advancing in order to demobilize this guerrilla group. Correspondent Miguel Angel Rojas visited Cauca Department and was able to talk to commander Alonso, leader of the Jaime Bateman Cayon group.

[Begin recording] [Rojas] What are the initial agreements in the detente area?

[Alonso] At this time, we are talking about the logistical pressure; the transfer of some fellow commanders to the detente area; the installation of checkpoints in roadways providing access to the area. These checkpoints will be manned by Army troops and guerrillas, as well as civilians.

[Rojas] Is the Jaime Bateman Cayon group currently carrying out actions on six or seven fronts?

[Alonso] The government has made it clear this process will be carried out amid armed confrontation. No armed confrontation will take place within the detente area and during the period in which detente has been established. In the other fronts, the fundamental effort at this time is to lower the intensity of the conflict. [end recording]

Meanwhile, government commission representatives expressed their optimism over the upcoming demobilization of the members of the Jaime Bateman Cayon group and their return to civilian life.

The Jaime Bateman Cayon group is comprised by former M-19 [19 April Movement] front commanders, who disagreed with the process led by Antonio Navarro Wolff. Today [words indistinct] peace talks this dissident movement has six fronts, especially in the coffee-producing region.

The Jaime Bateman Cayon group is at the bargaining table, but it does not plan to return to civilian life.

[Begin Jose Noe Rios, government adviser for peace, recording] We all believe that the key element of

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reconciliation is that after peace accords have been attained, the weapons of the rebels will stop being used.

Seven Prison Guards Under Arrest Over Santacruz Escape

PA1801033796 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 18 Jan 96

[Report by William Calderon; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] This is another last minute news item. Seven Picota Prison guards were arrested following orders issued by the Prosecutor General's Office of the Republic. They are the first ones to be arrested for the escape of Jose Santacruz Londono.

After 10 hours of questioning by the Prosecutor General's technical investigative corps, the seven INPEC [National Prison and Penitentiary Institute] guards involved in the escape of Cali Cartel drug trafficker Jose Santacruz Londono were transferred to a temporary holding facility a few minutes ago.

The prison guards involved in the crime are: Santiago Badillo Bautista, Salatiel Beltran Jimenez, Carlos Roldan Ramirez, Gerardo Cortez Quintero, Justiniano Herrera, Ricardo Maza Loaiza, and Omar Gamboa Mogollon.

Several of the prison guards were arrested this morning while at work in Bogota's Picota National Prison. Guard Commander Lieutenant Santiago Badilla Bautista, who is burdened with most of the responsibility of this case, refused to give a statement. He instead issued a communique saying that they were deceived and directly accuses the Prosecutor General's Office of the Republic or its underlings in INPEC's general directorate of having facilitated the escape. He says in his communique that the seven guards were taken by surprise in good faith.

The seven guards arrested for the escape of Cali Cartel drug trafficker Jose Santacruz Londono have just been transferred under strict security measures.

Ecuador

Duran-Ballen Confirms Presence at Andean Summit in Trujillo

PY1501184496 Madrid EFE in Spanish 1627 GMT 13 Jan 96

[FBIS Translated Text] Quito, 13 Jan (EFE) — Ecuadoran President Sixto Duran-Ballen confirmed during a public ceremony that he will participate in the Andean summit scheduled for March 1996 in Trujillo (Peru).

In remarks published today by the newspaper EL UNIVERSO, Duran-Ballen said: "I have agreed to attend the meeting in Trujillo on 8 March, provided it is a multinational meeting of the five presidents of the Andean Group countries plus the observer from Panama."

If this visit takes place, it will be the first by an Ecuadoran president to Peru, a country with which Ecuador has had a border conflict in the Amazon.

The possible Ecuadoran presidential visit to Peru comes one year after the two Andean nations confronted each other in an undeclared war over the border problem.

Concerning the peace negotiations between the two countries — with the endorsement of Argentina, Brazil, Chile, and the United States — Duran-Ballen said we must continue "to talk, seeking recognition for our point of view that it is a geographic fact that the Rio de Janeiro protocol inapplicable." The Rio de Janeiro protocol in 1942 established the limits between Ecuador and Peru.

The traditional Ecuadoran theory of nullity of the protocol contrasts with the full acceptance of said agreement by Peru.

Duran-Ballen said last Friday in a town on the border with Peru that this country would probably rather discuss the binational territorial problem with whoever wins the Ecuadoran general elections on 19 May 1996.

Speaking in the town of Machala, located 518 km south of Quito, the president said: "We must all be aware that perhaps, because I am in the last few months of my government, Peru would rather discuss the matter with my successor."

'State of Mobilization' Ordered To Prevent Energy Strike

PY1801023396 Madrid EFE in Spanish 0145 GMT 18 Jan 96

[FBIS Translated Text] Quito, 17 Jan (EFE) — Ecuadoran President Sixto Duran-Ballen ordered today the state of "mobilization" to prevent the workers of the state electric enterprises from paralyzing the plants in rejection to the partial privatization of the Ecuadoran electric sector.

Upon communicating the presidential decision, Government Minister Xavier Ledesma said that "the government will take the necessary actions required under the circumstances" to prevent the paralyzation of that sector.

The energy workers announced the paralyzation of activities and the suspension of the production of electricity if Congress approves in the next few hours a new

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electricity law that will allow the partial privatization of that sector.

The "mobilization" establishes that the workers of electrical enterprises will be punished with penalties of one to three years in prison if they refuse to carry out their normal work.

Ledesma said: "The will for dialogue cannot be confused with weakness and should not be replaced by actions that hurt the entire country."

With this decision, the Armed Forces are authorized to occupy and protect electrical energy installations and the violations will be punished by the military penal code.

The presidential decree said that the measure was adopted because there are "groups of people, without any juridical basis, who have taken action to obstruct peace, stir up the country, and paralyze basic public services with serious effects for the national economy."

HOY Views Status of Colombians in Ecuador

96P20209

[FBIS Media Note] Colombians in Ecuador have been subject to human rights abuses, including torture and unjust imprisonment, and Ecuadoran authorities have mistreated tourists, reports Quito daily HOY in its BLANCO Y NEGRO supplement of 19 November. Despite these abuses, the Colombian consul maintains, Colombian-Ecuadoran relations are becoming closer: 500,000 Colombians enter Ecuador each year as tourists, refugees, businessmen, and students; 200,000 Colombians reside in Ecuador, legally or illegally; and 600 Colombian firms have invested up to $500 million in 1995.

Tourism, Migration Trends: Colombian visitors to Ecuador jumped from 126,000 in 1989 to 160,000 in 1995 and 6,500 Colombians applied for residency status. HOY reports that this migration trend started in the 1980's when Ecuadoran currency was devalued and "large waves" of Colombian tourists crossed the border to acquire Ecuadoran goods.

Refugees: According to HOY, under the sponsorship of the UN High Commissioner for Refugees, there are 115 political refugees in Ecuador who fled from paramilitary actions against Colombian guerrillas. A group of approximately 3,900 mainly poor, illegal peasants, settled in the northwest province of Sucumbios, does not enjoy refugee status, according to the Latin American Human Rights Association (ALDHU). Another Colombian colony of approximately 50,000 exists in the town of Santo Domingo de los Colorados. Primarily undocumented farmers, they are harassed by migration authorities and their undocumented status leaves them prey to work discrimination on farms. Yet another colony of undocumented workers exists on the border between Esmeraldas and Puerto El Carmen.

Prison: HOY notes that torture of Colombian detainees has decreased thanks to Colombian Consul Alejandro Ruda Serbosek's diplomatic protests to the Ecuadoran police. Most—90 percent—of the 559 Colombians in Ecuadoran jails were detained for drug trafficking. Some 180 Colombian detainees have applied for repatriation under an agreement signed by the two governments, HOY reports. So far, 48 have returned to Colombia, 80 are in processsing, and 22 have gone free.

Peru

Tudela Welcomes Ecuador's Leoro in Lima

PY1601215796 Madrid EFE in Spanish 2053 GMT 16 Jan 96

[FBIS Translated Text] Lima, 16 Jan (EFE) — Lima, 16 Jan (EFE) — Ecuadoran Foreign Minister Galo Leoro Franco arrived in Lima today to begin a series of meetings with his Peruvian counterpart Francisco Tudela Van Breugel-Douglas tomorrow.

The objective of the foreign ministers's meeting is to establish an agenda for the future negotiations between Ecuador and Peru in relation to Point 6 of the Itamaraty Peace Declaration about the disagreements on the application of the 1942 Rio de Janeiro Protocol on Peace, Friendship, and Boundaries.

Leoro was welcomed in the Jorge Chavez International Airport by Foreign Minister Tudela, Protocol Director Julio Balbuena, and Ecuadoran Ambassador Gustavo Ruales.

Leoro Holds News Conference Upon Arrival

PY1701143696 Lima America Television Network in Spanish 0100 GMT 17 Jan 96

[FBIS Translated Text] Ecuadoran Foreign Minister Galo Leoro arrived in Lima this afternoon aboard a commercial flight. Although Leoro confirmed that the meetings he is scheduled to hold with his Peruvian colleague will center on the issue of the demarcation of the Peruvian-Ecuadoran border, he did not reject the possibility of discussing other border issues.

[Begin recording] [Unidentified reporter] Ecuadoran Foreign Minister Galo Leoro arrived at 1400 sharp. Peruvian Foreign Minister Francisco Tudela and other high-ranking Peruvian Foreign Ministry officials welcomed Galo Leoro at the Jorge Chaves International Airport.

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Leoro's visit constitutes the most important step adopted by the Ecuadoran Government to achieve a definitive solution to the border issue.

The meeting's agenda was confirmed by the Ecuadoran foreign minister during a news conference held at the airport after his arrival.

[Galo Leoro, in progress] ...it is all a matter involving selecting sites, appointment of delegation members, issues to be discussed in future negotiations, the nature of the discussions, the level of participation of guarantor countries — things of that nature. All of these entail very specific issues, which I am now addressing in a very general way and about which I will not go into detail at this time, nor do I expect my Peruvian colleague to do so. All these subjects will be broached in our negotiations.

[Reporter] Galo Leoro did not reject, nevertheless, the possibility of discussing issues that are outside the scope of the agenda, including some that have not been discussed previously.

As for the report being drafted by the Ecuador-Peru Military Observers Mission, MOMEP, consulting committee, he said that it will be taken into account during the negotiations with his Peruvian colleague, which begin on 17 January.

[Leoro] I do believe that the MOMEP has done a good job and that it has assisted throughout this process. Moreover, if the MOMEP's assistance helps us succeed in this process, this contribution is always welcome. [end recording]

Tudela Explains Position on Talks With Leoro

PY1701025296 Lima America Television Network in Spanish 0100 GMT 17 Jan 96

[FBIS Translated Text] Peruvian Foreign Minister Francisco Tudela confirmed today that the aspects related to the territorial demarcation at the common border and not the basic issues will be discussed during the meeting between the Peruvian and Ecuadoran foreign ministers that start on 17 January.

Minister Tudela made this comment today during a news conference at Jorge Chavez International Airport after the arrival of his Ecuadoran counterpart Galo Leoro.

[Begin recording] [Tudela] The two countries believe that there are points that have not been applied within the framework of the Rio de Janeiro Protocol. This does not mean that the two countries disagree with the Rio de Janeiro Protocol. Peru does not disagree with the Rio de Janeiro Protocol. Peru does not disagree with the arbitration of Braz Diaz de Aguiar. But Peru believes that some segments of the border have not been demarcated and Peru also believes that those segments that have not been demarcated are the subsistent impasse. Ecuador has a different opinion. The purpose of this meeting is to put the two opinions on a piece of paper. This is the main purpose. All the other aspects are secondary. The essence of the talks to be held now is to prepare an agenda and the items on the agenda are the issues on which we will talk, not the basic issues. We will not discuss, for example, the method for demarcation. We will simply say that Peru believes that the subsistent impasse is not being able to demarcate the border on three segments. This is the subsistent impasse for Peru.

[Unidentified reporter] [Words indistinct] is it 75 or 180 km of border?

[Tudela] The figure varies according on how the demarcation is made, therefore the total figure will only be known after a method for demarcation is adopted. It is calculated that the segment without demarcation covers a distance of about 150 km to 180 km from the Peruvian perspective. In the case of the sector of the Condor mountain range, there is a disagreement because Peru has sustained that the demarcation line goes on the Condor mountain range in the sense that it is the territorial line which is easier to recognize and which is not cut by any river. Therefore, this line is more than the 78 km which is the theory advocated by those that propose that the demarcation must be a straight line between two border marks. As Peru believes that this is not a straight line between the two border marks, obviously the border is more than 78 km. [end recording]

Leoro Interviewed on Negotiations Process

PY1701213696 Madrid EFE in Spanish 1539 GMT 17 Jan 96

[FBIS Translated Text] Lima, 17 Jan (EFE) — Ecuadoran Foreign Minister Galo Leoro today denied that the Ecuadoran Armed Forces have supremacy over the civil society.

During an interview with Radio Programas del Peru, Leoro said: "I could say the same about Peru, but will refrain from doing so. I am only saying that I could say the same."

He added that the Ecuadoran Armed Forces "have a role in the Constitution and are subject to that role which implies a supremacy of the civilian power."

Today in Lima, Leoro will start a two-day meeting with his Peruvian counterpart, Francisco Tudela, to discuss the agenda to solve the so-called "subsistent impasse" mentioned in the Itamaraty Peace Declaration, signed

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on 17 February 1995, reaching a cease-fire agreement between the two countries.

The Ecuadoran foreign minister said that at the bilateral meeting the two countries "will seek procedures that are nothing less than the adequate mechanism that will allow the holding of pending negotiations in search of a definite solution."

Leoro added: "An attempt will be made to precisely define the current situation, what mechanism to use, where (the headquarters), and when to hold the meetings."

When asked about the possibility that the negotiations with Peru continue until after the general elections in Ecuador, to be held on 19 May, Leoro said that "the fact that they continue or not will depend on many factors."

Leoro said: "Logically, when the current administration ends its term, the entire government ends and my job ends. However, I believe we have come to make as much progress as we can within this process."

He added: "It would be magic to believe that within a process that started in the republican past of our two countries, we can find a definite solution in two or three sessions."

The Ecuadoran foreign minister explained that talks cannot be held and yield fruitful results from one minute to the next. "There will be discussions, it is a fact that there are disagreements, and should they not exist we would not be here trying to solve them."

Regarding what the "subsistent impasses" entail, Leoro said that he agrees with Tudela "it is something that must be determined later on, when the procedures have been established, when we can really start discussing this issue."

Leoro stated: "We will have to discuss and determine, definitely what aspects divide us and have prevented a meeting in the terms and the way we would like it to be in the future."

Peru and Ecuador seek to consolidate the peace process in which they engaged after the undeclared war that confronted the two countries between 26 January and 28 February 1995, in a 78-km long portion of their Amazon border that lacks landmarks.

Fujimori, Leoro Hold 40-Minute Meeting

PY1701211596 Lima Radio Programas del Peru Network in Spanish 1700 GMT 17 Jan 96

[FBIS Translated Excerpt] Peruvian Foreign Minister Francisco Tudela and Ecuadoran Foreign Minister Galo Leoro are scheduled to meet this afternoon at 1600. During this meeting the foreign ministers will define mechanisms to discuss Point 6 of the Itamaraty peace declaration. The Peruvian and Ecuadoran foreign ministers will meet in Lima for the first time since the clashes in the Upper Cenepa region.

Tudela and Leoro are scheduled to meet at the Peruvian Foreign Ministry. This meeting is also to be attended by representatives from the foreign ministries of the four guarantor countries: Argentina, Brazil, Chile and the United States.

Leoro started his official activities today at 1000 when he attended the Peruvian Foreign Ministry building in the company of Ecuadoran Ambassador Gustavo Ruales to hold a protocol meeting with Peruvian Foreign Minister Tudela.

Later Leoro and Ruales headed for Government House where they held a 40-minute meeting with Peruvian President Alberto Fujimori. During the meeting Leoro extended Ecuadoran President Sixto Duran-Ballen's greetings to Peruvian President Alberto Fujimori.

After an unofficial luncheon, the Peruvian and Ecuadoran officials will comply with Point 6 of the Itamaraty Peace Declaration according to which Peru and Ecuador must start to solve the subsistent impasse with the participation of the Rio de Janeiro Protocol guarantor countries.

In a statement to Radio Programas del Peru, Ecuadoran Foreign Minister Galo Leoro said that the meetings with his Peruvian colleague seek to achieve progress on those mechanisms that will lead to overcome the subsistent impasse on the enforcement of the Rio de Janeiro Protocol.

Confirming Foreign Minister Francisco Tudela's comments, Leoro said that during these meetings they will not broach basic issues. He added that during these meetings they will establish the site and negotiation mechanism to implement Point 6 of the peace agreement. [passage omitted]

Ecuadoran Foreign Minister Galo Leoro has expressed optimism about finding the proper mechanism for holding future Peruvian-Ecuadoran peace talks. Speaking to Latin America through the Solar newscast broadcast by Radio Programas del Peru from Lima he said: It is a question of defining how to organize the dialogue, where and when the peace dialogue should be held.

[Begin Leoro recording] In compliance with the Itamaraty Peace Declaration, Paragraph 6 establishes that negotiations will be held, that these negotiations imply that a detente process prevails and that bilateral ties are in the process of being normalized.

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I believe that prior to this we have to center our discussions on how to conduct these negotiations, how or what mechanisms are to be used. It is this issue that will be addressed in this meeting. [d recording]

The following is a report by Carlos Alvarado Chaves from Government House.

[Alvarado Chaves] We can report that President Fujimori and Ecuadoran Foreign Minister Galo Leoro held an approximately 40-minute meeting.

At the end of the meeting, Fujimori invited the visiting Ecuadoran foreign minister to pose for the media in the Golden Room of Government House.

The president expressed his hope that these foreign ministers' meeting will help to strengthen peace in our northern border within the framework of Peru's peace-loving nature.

Both Fujimori and Galo Leoro stepped out to one of the Government House balconies where they shook hands and embraced. [passage on protocol procedures omitted]

Air Force Head's Resignation Viewed

PY1601180696 Lima LA REPUBLICA in Spanish 7 Jan 96 pp 2-3

[FBIS Translated Text] The appointment of General Waldo Richter as commander in chief of the Peruvian Air Force [FAP] has not appeased spirits among the high command unhappy with the strain caused by the resignation and retirement of General Enrique Astete Baca.

Astete's resignation as FAP commander allegedly took place after resistance to the pressure exerted by Defense Minister General Victor Malca Villanueva, who, since last October, has insisted that the FAP agree to purchase second-hand war materiel from Belarus, one of the republics that, until 1991, comprised the former Soviet Union.

The FAP experts, who traveled to Minsk (capital of Belarus), reported that, from the technical and economic viewpoint, the materiel was not adequate for the FAP.

The "Belarus package," which includes Sukhoi, MiG, and other kinds of aircraft, amounts to $300 million. For this sum of money Peru could acquire weapons that are much more modern, newer, and more powerful.

Despite the fact that all the members of the high command affirmed their confidence in him, Astete made a drastic decision and submitted his resignation. He did so on 24 December, after meeting with the FAP high command to explain the reasons for his decision: The suffocating pressure being exerted by Minister Malca. He allegedly stated that "in my capacity as FAP commander in chief, I cannot approve a purchase contrary to national interests, still less at a time of uncertainty for the country, when it is likely Ecuadoran provocations against Peruvian territory will continue. We cannot purchase weapons that tomorrow will contribute to the national defense." [sentence as published]

Convinced about the risks involved in this purchase, Gen. Astete allegedly wrote a letter to the president of the Republic explaining the reasons for his resignation and giving a detailed account of the technical reasons why he opposes purchase of the "Belarus package."

In the letter, he allegedly mentioned the existence of more advantageous offers, from the economic and military viewpoint (from France, the United States, and some East European countries), inexplicably rejected by the Peruvian Defense Ministry.

The head of state reacted promptly.

On one hand, he allegedly asked the defense minister for a briefing and a detailed account of the other offers received and, on the other hand, allegedly ordered a thorough investigation by the National Intelligence Service.

It could not be otherwise. Following the U.S. Government's authorization for the delivery of engines for the Kfir aircraft purchased by Ecuador, it became obvious that Peru needs to renew its weapons. However, they would be of no use to the country if the new acquisitions do not solve the problems posed by the conflict in the Upper Cenepa last year, among them the fact that most of Peru's weapons are obsolete.

During the conflict with Ecuador, the Air Force was one of the most vulnerable aspects with regard to the Armed Forces. One should recall the comments by Ecuadoran President Sixto Duran-Ballen, who, after the conflict, talked about the score of "9 to 0," referring to the loss of Peruvian aircraft, among them two Sukhoi 22's, two helicopters, and one Canberra aircraft.

After the conflict, the price of Sukhoi aircraft dropped from $25 million to $8 million, while the price of the Kfir fighter-bombers, which downed the Sukhoi, increased. In mid-1995, magazines specializing in military affairs, commenting on the Cenepa conflict, reported that "the Kfir beat the Sukhoi."

According to the specialists, the Cenepa conflict has revealed the country's needs regarding military aircraft; namely, regarding the need for quality rather than quantity, the maneuvering scope rather than any other advantage. According to this criteria, Sukhoi aircraft are one thing the Air Force has plenty of.

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The ministry's insistence was allegedly the reason FAP General Fernando Moy, the initial choice to command the FAP, rejected the appointment. For Gen. Malca, in turn, things seem to be developing well; because he is a very good friend of Gen. Waldo Richter, he seems confident that the purchase will take place anyway. The year-end provocations by Ecuador allegedly encouraged the government in that direction.

For the time being, it is known that the directors of the enterprise that represents Belarus in Peru continue exercising influence.

Arms Dealers Take Advantage of Border Tensions

PY0801175996 Lima LA REPUBLICA in Spanish 31 Dec 95 pp 8-9

[By Magaly Escobedo]

[FBIS Translated Text] According to international affairs expert Alejandro Indacochea, arms dealers are spurring border tensions between Peru and Ecuador in view of the Ecuadoran arms policy with the purpose of reactivating the lucrative business that years ago represented the Latin American arms market.

After urging the Ecuadoran military leadership not to yield to the temptation of war, Indacochea said: "International arms dealers are true merchants of death who lack principles. We should avoid provocations because the only ones to benefit from a conflict are multinational arms manufacturers."

Indacochea warned that in their eagerness to obtain profits through the sale of guns, gun dealers resort to complicated tactics such as the well-known "third-party sale operation" through which a given country or company acts as intermediaries in the purchase of guns.

This is what transpired in the case of the Argentine guns that ended up in Ecuador through the intermediation of a Panamanian company during the Upper Cenepa armed conflict one year ago.

In the case involving the Israeli Kfir planes deal with Ecuador, reports mention the involvement of a formidable pseudo-religious group of Korean origin.

Moreover, the presence of arms dealers in both Quito and Lima is well-known. Their mission is to take advantage of the border tensions the two countries are experiencing and "fish in troubled waters."

Indacochea said: "It will not be a surprise if this happens. Moreover, no one should be shocked because the entire world is aware that the most important gun suppliers are countries that advocate a pacifist image, even within the United Nations."

As an anecdote he mentioned that Switzerland, which is the site of the International Red Cross, an organization that safeguards the upholding of human rights in conflict regions, sold banned chemical weapons during the Middle East war.

Indacochea stated: "Arms dealers go wherever the geopolitical context is weak to promote that market where everything is valid."

In view of this, Indacochea urged Peru and Ecuador to avoid becoming "pieces of a chess board" of unscrupulous business dealers.

He added that the Ecuadoran and Peruvian Armed Forces should avoid being exploited by gun dealers who are only concerned about the obsolescence of their markets.

Indaochcea warned: "In such a singular conflict as the one affecting Peru and Ecuador, in which eventually both parties claimed to be victorious, the only true winner is the supplier of weapons."

He said that in the 1980's Latin America ceased to be an important guns market because of the prevailing relative geopolitical balance which resulted in a drastic drop in demand for guns.

Indacochea believes that the Middle East war was particularly enlightening because it proved that the largest arms suppliers are the former Soviet Union and the United States, followed by Israel, France, England, and Germany.

He stated: "The ironic thing is that the majority of arms suppliers of Third World countries are also UN members."

With figures published in his book REFLECTIONS ON THE NEW ORDER, Indacochea maintained that Peru cannot have any expectations regarding the United States, which after the disappearance of the former Soviet Union, has become the leading supplier of guns.

As for Ecuador, he said, it intends to resolve its domestic crisis through an international war without realizing that a clash between two poor countries causes great harm to their civilian populations.

Regarding the Middle East war, he said that it showed that Russia exported 42 percent of its gun production to the Third World; the United States exported 21.45 percent; France 10.34 percent; England 6.12 percent; Germany 1.92 percent; and Italy 11.15 percent.

To prove that the gun trade has no flags, Indacochea said that despite Iraq being its main client, the former Soviet Union had no qualms in supplying intelligence

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information to Security Council members about the arms that had been installed in Iraq.

He added: "This is why the majority of accidents experienced by Iraq were not caused by the war but by logistics or sabotage actions."

Moreover, the United States reequipped its Middle East partners, having Saudi Arabia, Kuwait, and Southeast Asian countries among its purchasers. It is estimated that by the end of the 20th century U.S. gun exports will increase by 15 or 20 percent.

Indacochea stated that in the last few years, Latin American and Caribbean countries allotted a relatively high percentage of their GDP to arms purchases.

The most noteworthy cases were those of Nicaragua with 8.74 percent and Cuba with 4.46 percent.

They are followed by Peru with 4.08 percent, Chile with 3.19 percent and Venezuela with 3.07 percent.

The following countries were the ones that spent a higher percentage in the purchase of guns: Argentina with 20.8 percent; Ecuador with 14.8 percent'; Bolivia with 10.7 percent; and Honduras with 9.6 percent.

According to updated geopolitical studies, after its frustrated attempt to invade Peruvian territory in 1971 (during the Falso Paquisha conflict), the Ecuadoran Armed Forces submerged in an arms race with the objective of diminishing the distance that separated them from their neighbors and undermining the strategic balance.

Indacochea stated that in Latin America four out of 10 people live under the poverty line and over a fourth of the labor force is underemployed. Unemployment and underemployment affect 44 percent of the entire labor force.

Congress Supports Government's Actions on Chile, Ecuador

PY0901171496 Madrid EFE in Spanish 0322 GMT 9 Jan 96

[FBIS Translated Excerpt] Lima, 8 Jan (EFE) — The Peruvian Congress today approved two motions supporting the government in the actions being carried out by the Foreign Ministry regarding bilateral relations with Chile and Ecuador.

The support for the actions of the Foreign Ministry was approved by the permanent committee in a closed-door session in which Foreign Minister Francisco Tudela briefed congressmen on the latest events related to the two countries' relations.

The first motion expresses support "for the actions being carried out in the negotiating process with Ecuador for the real fulfillment of the agreements of the Itamaraty Peace Declaration and for the solution of the existing impasse between our two countries within the strict framework of the Rio de Janeiro Protocol."

The motion adds that the permanent committee "remains alert" in relation to the development of the peace process with Ecuador that started in March 1995 after the military conflict over the border problem from 26 January to 28 February 1995.

The other motion, according to the national ANDINA news agency, expresses "its full support for the communique released by the Foreign Ministry" on the problem that emerged last week about a property owned by Peru in Arica, Chile, where the local municipality began paving a road that crosses the property. [passage omitted]

Guzman Asks SL Followers To 'Demolish' Feliciano's Group

PY0501154296 Lima LA REPUBLICA in Spanish 28 Dec 95 p 2

[FBIS Translated Text] The Shining Path [SL] terrorist-subversive group has asked President Alberto Fujimori, via a video message, to publicly present its imprisoned leader Abimael Guzman in a news conference to confirm a request for a definite peace agreement with the government.

The video was sent yesterday by mail to the AFP news agency office in San Isidro.

The four-minute message, read by a "combatant" wearing a green uniform, hood, and a cap, includes a call from Guzman, who is serving a life sentence for high treason, in which the SL leader asks his followers "to destroy the revisionist line and to smash the divisionist group" of Oscar Ramirez Durand, alias "Feliciano," who is continuing what is called a "popular war" in the Ene Valley.

Guzman's call, which is signed with his nickname "President Gonzalo," also asks his followers to "defend the unity of the Communist Party of Peru."

The call is signed by Elena Iparraguirre, aka "Comrade Miriam," Guzman's lover.

The video sent to AFP arrived with a written copy of the message read by the "combatant." It is dated 18 October 1995 and was filmed at the Callao Military Naval Base prison, west of this capital.

The message sent to AFP, a copy of which has been extended to LA REPUBLICA by that news agency, is

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a statement of support to Guzman by the People's Aid of Peru, a clandestine organization which has served as a legal arm of imprisoned SL terrorists, but which later became the main military arm of SL in Lima.

The police believe elements of the People's Aid were those who a few years ago planted two car bombs on Tarata Street in Miraflores, causing two great explosions that killed a score of people and considerable property damage.

Guzman's call begins with the phrase "Proletarians from all countries, unions."

It adds: "Comrades, combatants, friends. Sons of the Party, of the popular war, and of the people. We call you to raise Gonzalo's thought, our main and principal strategic ideological weapon; to defend the unity of the party; to annihilate the revisionist trend and to demolish the divisionist block. Military Prison from Callao Naval Base, 18 October 1995. (Signed) President Gonzalo, Comrade Miriam."

A proposal for a peace agreement was launched by Guzman in September 1993 after spending a year in a solitary cell which he only left for 30 minutes daily, in which he proposed to President Fujimori an end to the subversive war which he began in May 1980.

The terrorist violence unleashed by SL caused the death of some 30,000 people and some $25 billion in property damage in 15 years.

President Fujimori always rejected negotiations with Guzman but allowed him to appear on a video transmitted over television reading two letters he sent to the president of the Republic arguing his requests for peace.

These letters prompted a division within SL between those who support Guzman's decision and those who want to continue fighting, headed by "Feliciano," which unleashed a virtual war between the two factions.

In its statement, the People's Aid of Peru uses a phrase filled with epithets, and urges "Feliciano and his followers with increased hatred" to subordinate themselves to "President Gonzalo, to break, demolish, and raze that sinister and monstrous group, the revisionist filth."

The SL calls Oscar Ramirez Durand the "black head of the divisionist group" and accuses him of being responsible for the arrest of "Gonzalo" on 22 September 1992 in a house in Surquillo, by an elite group of DINCOTE [National Counterterrorism Directorate] headed then by its chief, General Antonio Ketin Vidal Herrera, when the Interior Minister was at an embassy reception and President Fujimori was fishing in the jungle.

The message of the Aid of Peru says: "If they are really communists, let them prove it by correcting their position, resorting to their spirit of class, spirit of party, and absolute selflessness, and with the courage of class to publicly, officially, and directly assume the call to fight for a peace agreement that will lead to the end of the war."

"Combatant Norman" said that a few months ago "Feliciano's" group experienced a "demolishing political blow" with the arrest of Margie Clavo Peralta, his closest aide, who after being interviewed on a television program, rectified herself and called him "traitor."

According to intelligence reports, "Feliciano" is continuously moving between the Huallaga Valley, northern jungle region, to the Ene Valley and the Vizcatan region, in Ayacucho. According to the reports, the forces of order are on his heels.

In its message the People's Aid of Peru asks President Fujimori to allow Guzman to be "presented to the press in a news conference so that he may directly convey his call and voice of order, which will decisively serve to seek the peace agreement which will end the war: A historical and unavoidable need for the interest of the people, of the nation, and of the Peruvian society as a whole."

State of Emergency Extended in Four Provinces

PY0501195096 Lima Radio Programas del Peru Network in Spanish 1700 GMT 5 Jan 96

[FBIS Translated Text] By request of the Armed Forces Joint Command, the government has extended for 60 days the state of emergency in the provinces of Coronel Portillo and Padre Abade, Ucayali Department.

According to the government decree published today on the official gazette, this state of emergency also affects Ucayali Province in Loreto Department, and Puerto Inca Province in Huanuco Department.

Through this decree, the essential rights of the people concerning the inviolability of homes, the right to hold peaceful meetings and to circulate freely through those jurisdictions are hereby suspended. The right not to be arrested except on orders of a judge or when caught red-handed while committing a crime has also been suspended.

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